

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

Application Proof of
Edianyun Limited
易點雲有限公司

(Incorporated in the Cayman Islands with limited liability)

WARNING

The publication of this Application Proof is required by The Stock Exchange of Hong Kong Limited (the “**Exchange**”) and the Securities and Futures Commission (the “**Commission**”) solely for the purpose of providing information to the public in Hong Kong.

This Application Proof is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with Edianyun Limited (the “**Company**”), its sole sponsor, overall coordinator, advisors or members of the underwriting syndicate that:

- (a) this document is only for the purpose of providing information about the Company to the public in Hong Kong and not for any other purposes. No investment decision should be based on the information contained in this document;
- (b) the publication of this document or any supplemental, revised or replacement pages on the Exchange’s website does not give rise to any obligation of the Company, its sole sponsor, overall coordinator, advisors or members of the underwriting syndicate to proceed with an offering in Hong Kong or any other jurisdiction. There is no assurance that the Company will proceed with the offering;
- (c) the contents of this document or any supplemental, revised or replacement pages may or may not be replicated in full or in part in the actual final listing document;
- (d) this document is not the final listing document and may be updated or revised by the Company from time to time in accordance with the Rules Governing the Listing of Securities on the Exchange;
- (e) this document does not constitute a prospectus, offering circular, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities;
- (f) this document must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended;
- (g) neither the Company nor any of its affiliates, advisors or underwriters is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this document;
- (h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;
- (i) the Company has not and will not register the securities referred to in this document under the United States Securities Act of 1933, as amended, or any state securities laws of the United States;
- (j) as there may be legal restrictions on the distribution of this document or dissemination of any information contained in this document, you agree to inform yourself about and observe any such restrictions applicable to you; and
- (k) the application to which this document relates has not been approved for listing and the Exchange and the Commission may accept, return or reject the application for the subject public offering and/or listing.

THIS APPLICATION PROOF IS NOT FOR PUBLICATION OR DISTRIBUTION TO PERSONS IN THE UNITED STATES. ANY SECURITIES REFERRED TO HEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES WITHOUT REGISTRATION THEREUNDER OR PURSUANT TO AN AVAILABLE EXEMPTION THEREFROM. NO PUBLIC OFFERING OF THE SECURITIES WILL BE MADE IN THE UNITED STATES.

NEITHER THIS APPLICATION PROOF NOR ANY INFORMATION CONTAINED HEREIN CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN THE UNITED STATES OR IN ANY OTHER JURISDICTIONS WHERE SUCH OFFER OR SALE IS NOT PERMITTED. THIS APPLICATION PROOF IS NOT BEING MADE AVAILABLE IN, AND MAY NOT BE DISTRIBUTED OR SENT TO ANY JURISDICTION WHERE SUCH DISTRIBUTION OR DELIVERY IS NOT PERMITTED.

No offer or invitation will be made to the public in Hong Kong until after a prospectus of the Company has been registered with the Registrar of Companies in Hong Kong in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company’s prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be distributed to the public during the offer period.

IMPORTANT

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



Edianyun Limited 易點雲有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

- Number of [REDACTED] under the [REDACTED] : [REDACTED] Shares (comprising [REDACTED] Shares and [REDACTED] Shares, and subject to the [REDACTED])
- Number of [REDACTED] : [REDACTED] Shares (subject to reallocation)
- Number of [REDACTED] : [REDACTED] Shares (comprising [REDACTED] Shares and [REDACTED] Shares, and subject to reallocation and the [REDACTED])
- Maximum [REDACTED] : HK\$[REDACTED] per Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, the Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application, subject to refund)
- Nominal value : US\$[0.00005] per Share
[REDACTED] : [REDACTED]

Sole Sponsor, [[REDACTED], [REDACTED],
[REDACTED], [REDACTED] and [REDACTED]]



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

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

The [REDACTED] is expected to be fixed by agreement between the [[REDACTED] and the [REDACTED],] (on behalf of the [REDACTED]) and us (for ourselves and on behalf of the [REDACTED]) on the [REDACTED]. The [REDACTED] is expected to be on or around [REDACTED] (Hong Kong time) and, in any event, not later than [REDACTED] (Hong Kong time). The [REDACTED] will be not more than HK\$[REDACTED] and is currently expected to be not less than HK\$[REDACTED] per [REDACTED]. If, for any reason, the [REDACTED] is not agreed by [REDACTED] (Hong Kong time) between the [[REDACTED] and the [REDACTED],] (on behalf of the [REDACTED]) and us (for ourselves and on behalf of the [REDACTED]), the [REDACTED] will not proceed and will lapse.

The [[REDACTED] and the [REDACTED]], on behalf of the [REDACTED], and with our consent (for ourselves and on behalf of the [REDACTED]) may, where considered appropriate, reduce the number of [REDACTED] and/or the indicative [REDACTED] range below that is stated in this document (which is HK\$[REDACTED] to HK\$[REDACTED]) at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, notices of the reduction in the number of [REDACTED] and/or the indicative [REDACTED] range will be published on the website of the Stock Exchange at www.hkexnews.hk and of the Company at <http://edianyun.com> as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the [REDACTED]. Such notices will also be available on the website of our Company at <http://edianyun.com> and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk. Further details are set forth in "Structure and Condition of the [REDACTED]" and "How to Apply for [REDACTED]" in this document.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in "Risk Factors" in this document. The obligations of the [REDACTED] under the [REDACTED] are subject to termination by the [[REDACTED] and the [REDACTED]] (on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. See "[REDACTED]" of this document.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may be offered and sold only (a) in the United States to "Qualified Institutional Buyers" in reliance on Rule 144A under the U.S. Securities Act or another exemption from, or in a transaction not subject to, the registration requirements under the U.S. Securities Act and (b) outside the United States in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the [REDACTED]. We will not provide printed copies of this document or printed copies of any [REDACTED] to the public in relation to the [REDACTED]. This document is available at the websites of the Stock Exchange at www.hkexnews.hk and our website at <http://edianyun.com>. If you require a printed copy of this document, you may download and print from the website addresses above.

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

CONTENTS

This document is issued by our Company solely in connection with the [REDACTED] and the [REDACTED] and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the [REDACTED]. This document may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to subscribe for or buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a [REDACTED] of the [REDACTED] or the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document and the [REDACTED] and sale of the [REDACTED] in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this document and the [REDACTED] to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not included in this document must not be relied on by you as having been authorized by us, the [REDACTED], the Sole Sponsor, [[REDACTED], the [REDACTED], the [REDACTED], the [REDACTED]], the [REDACTED], any of our or their respective directors, officers, employees, agents or representatives of any of them, or any other person or party involved in the [REDACTED]. Information contained on our website, located at <http://edianyun.com>, does not form part of this document.

	<i>Page</i>
Expected Timetable	i
Contents	v
Summary	1
Definitions	33
Glossary of Technical Terms	48
Forward-Looking Statements	51
Risk Factors	53
Waivers from Strict Compliance with the Listing Rules and Exemptions from Compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance	99

CONTENTS

Information about this Document and the [REDACTED]	106
Directors and Parties Involved in the [REDACTED]	111
Corporate Information	114
Industry Overview	116
Regulatory Overview	128
History, Reorganization and Corporate Structure	144
Business	165
Directors and Senior Management	230
Relationship with Our Single Largest Shareholders Group	246
Substantial Shareholders	252
Share Capital	254
Financial Information	258
Future Plans and Use of [REDACTED]	326
[REDACTED]	334
Structure and Condition of the [REDACTED]	349
How to Apply for [REDACTED]	362
Appendix I – Accountants’ Report	I-1
Appendix II – Unaudited [REDACTED] Financial Information	II-1
Appendix III – Summary of the Constitution of the Company and Cayman Companies Laws	III-1
Appendix IV – Statutory and General Information	IV-1
Appendix V – Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display	V-1

SUMMARY

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

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

OVERVIEW

We primarily provide 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.

During the Track Record Period, we have mainly generated revenue from pay-as-you-go office IT integrated solutions, sales of devices, and SaaS and other services.

- **Pay-as-you-go office IT integrated solutions:** We provide our office IT integrated solutions primarily via the 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 device management services, such as order placement, subscription management, on-site inspection and bulk shipment of the devices, all under one service pack while customers can subscribe and unsubscribe to the office IT service flexibly based on their evolving needs.
- **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. Customers can purchase the devices in installments, and the ownership of the devices are transferred to the customers when the devices are delivered to customers. In addition, 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.

SUMMARY

- **SaaS and other services:** We developed our SaaS product to meet customers’ multiple digitalization needs. Our SaaS product, Ebandian, is designed to help enterprise customers manage their assets and inventories from asset procurement and storage to usage and disposal for an annual subscription fee. Ebandian allows customers to visualize and streamline assets and inventories operations and enables customers to track and manage portfolios of assets and inventories with transparency.

In particular, 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, back-up 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. We have also developed a SaaS product, Ebandian, to meet customers’ digitalization needs.

Leveraging our nationwide service capability, self-developed system named “Nebula” 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. Differentiated from device repair and replacement/maintenance process, our remanufacturing process involves precise identification of the cause of the malfunction, and repair of only the faulty unit as necessary, reconditioning a device to at least its original performance specifications and default configurations and extending the device’s service life. For example, we might replace only the broken LED component on a laptop screen, which is more cost-efficient than traditional refurbishment method, which typically replaces the defective screen as a whole. Furthermore, to improve our operational efficiency, we have developed Nebula system, containing a collection of internal management functions such as visualization for devices, capacity planning, customer relationship management, and service capability, connecting our operations from front-end to backend. See “Business – Our Technology and Infrastructure – Our Digitalization Technology.” As of December 31, 2022, we had approximately 42,000 subscribing enterprise customers and approximately 1.1 million devices under subscription. See “Business – Overview – Who We Are.”

The market size of enterprise office IT services is expected to increase from RMB156.0 billion in 2021 to RMB213.9 billion in 2026, according to Frost & Sullivan. The enterprise office IT service market consists of direct buyout mode and usage-based mode. The “usage-based mode” refers to a relatively more flexible mode of enterprise office IT services where enterprise office IT services are provided on demand and priced based on actual IT resource used. Unlike the direct buyout mode where enterprises directly purchase IT devices

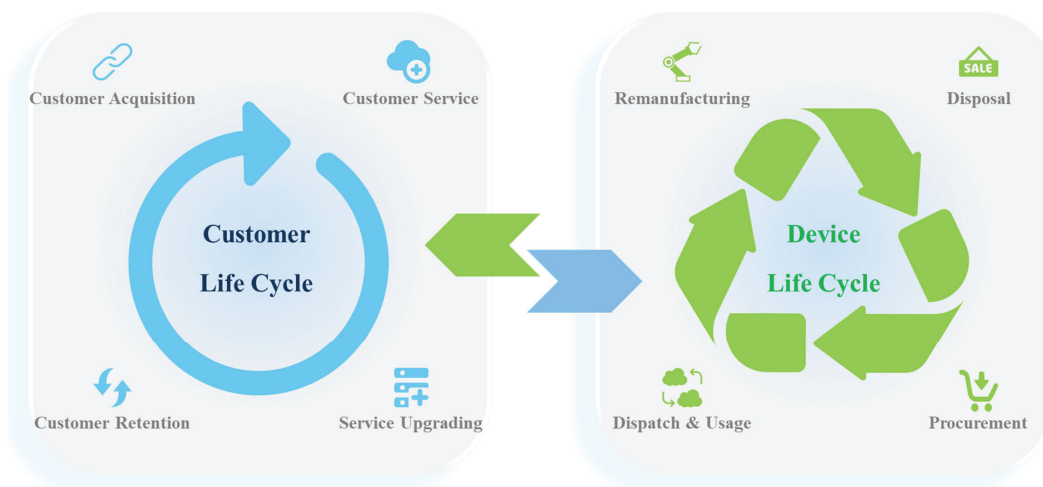
SUMMARY

and software licensing from PC brands, software vendors and distributors, enterprises adopting the usage-based service mode usually do not own the office IT devices they use. See “Industry Overview – Enterprise Office IT Service Industry – Overview” and “Business – Overview – Our Market Opportunity.”

The usage-based service mode has helped SMEs to address the pain points brought by the traditional office IT direct buyout mode, such as limited office IT operating capability, lack of external technical support as well as hidden costs and inconsistent service quality. Based on availability of managed IT services, the usage-based office IT market can be further divided into the device rental service and office IT integrated solution segments. In 2021, the market size of the office IT integrated solution market 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. The office IT integrated solution segment is expected to exceed the device rental service segment and drive the growth of the usage-based office IT market. See “Business – Overview – Our Market Opportunity.”

Currently, China’s enterprise office IT service market is still dominated by the enterprises who mainly operate under the direct buyout mode. The market under the direct buyout mode in China’s enterprise office IT service market has been relatively highly concentrated since 2010, with PC brands being the leading market players and taking up a significant market share. However, the market under the direct buyout mode has evolved into the long-term stable stage with an expected CAGR of less than 5% from 2021 to 2026. In the meanwhile, the market of usage-based service mode is expected to significantly grow. As compared with a market penetration rate of 60.0% in terms of the number of devices in the United States, the usage-based office IT industry in China is still in its early stage of development with a penetration rate of 3.2%, representing enormous growth potential. The usage-based office IT industry has become the fastest growing market segment of the enterprise office IT service industry, and its market size is expected to reach RMB37.7 billion in 2026, representing a CAGR of 40.2% from 2021 to 2026, according to Frost & Sullivan.

Our Business Model



SUMMARY

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.

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 lifespan. With our remanufacturing technologies, we can extend the service lives of devices to, on average, two to three times their original lifespan, 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.

See "Business – Overview – Our Business Model."

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 office IT service packs 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. 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

SUMMARY

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 as well as 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 inspections 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. Moreover, according to Frost & Sullivan, our subscription fee is typically lower than the rental fee that traditional device rental service providers charge for the same type of devices with the same service scope, because we are able to increase our operating efficiency with strong remanufacturing technology while traditional device rental service providers need to incur higher costs in relation to device maintenance, device repair and component replacements, which are usually furnished by third-party service providers.

SUMMARY

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: - office productivity software - Enterprise operation software (ERP etc.)	Mature capabilities: - System performance enhancement - Operation optimization with on-site engineers	Mature capabilities: - remote meetings - virtual private network and etc.	Offering: - cybersecurity-mgt software - enterprise data-mgt solutions (data storage, back-up, transfer, etc.)	Offering: - SaaS product for daily device-mgt purpose	Mature capabilities: - independent after-sales team - Mature Q&A advisory capabilities	Offering: - full set of office accessories (printers, displays, tablets, projectors, etc.) - mainstream brands coverage	Mature capabilities: - hardware configuration, deployment and maintenance (memory, graphics card, CPU, battery, etc.)	
Traditional Rental									
Sample References	- office productivity software only (office suites, etc)			Commonly no such professional service		Very limited capabilities on technical Q&As	Offering: - common accessories only, (printers and cables) - few brands	- limited hardware technical capabilities - mainly relies on 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)

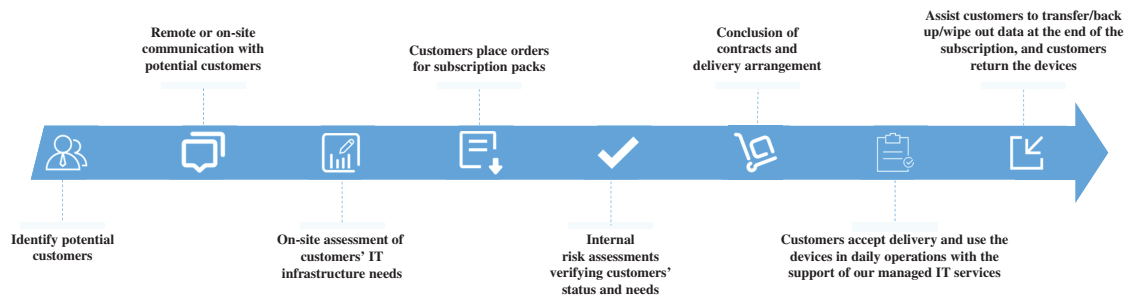
Source: Frost & Sullivan

See “Business – Overview – Our Value Proposition.”

SUMMARY

Our Business Flows

Business flow of our office IT integrated solutions



The operational process of our office IT integrated solutions includes the following steps: (i) our salespeople identify potential customers; (ii) we communicate with potential customers through our sales team either remotely or through on-site visits; (iii) 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; (iv) customers place orders for subscription packs with subscription term on a monthly basis, usually ranging from one month to three years; (v) we conduct internal risk assessments verifying a customer' status and needs; (vi) we sign contracts with customers and arrange delivery of the devices; (vii) customers inspect and accept delivery; (viii) customers use the devices during daily operations with the support of our managed IT services; and (ix) 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 packs and we do not charge customers based on different elements of our services.

We provide an array of IT hardware and devices for the use of our customers' employees at work, such as desktops, laptops and monitors, under our subscription packs. Most of the IT hardware and devices provided are owned by ourselves. We purchase new IT hardware and devices from third parties such as PC and other hardware brands or distributors and in turn offer both brand new devices and used devices to our customers as part of the subscription package. We also provide a portion of leased-in devices which we acquire from third parties through finance leasing arrangements. As of December 31, 2020, 2021 and 2022, the carrying amount of our self-owned devices amounted to RMB1,236.5 million, RMB1,616.0 million and RMB1,457.0 million, respectively, and the carrying amount of our leased-in rental computer devices amounted to RMB96.8 million, RMB379.5 million and RMB459.3 million, respectively.

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: (i) 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, (ii) we sign contracts with customers, (iii) 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, and (iv) customers who purchase in installments use the devices during daily operation with the support of our managed IT services.

SUMMARY

During the Track Record Period, the number of 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 total number of devices under subscription during the same periods, respectively.

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: (i) we first sort our surplus devices into different categories, such as laptops, desktops, and device components; (ii) we post the information of such devices on our platform with an opening bid; (iii) after at least ten bidding rounds with over five participants, the customer offering the highest bid wins and receives the devices at the second highest bid price; and (iv) 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: (i) our salespeople identify potential customers; (ii) we communicate with potential customers through our sales team either remotely or through on-site visits; (iii) we sign contracts with customers; and (iv) we provide product knowledge training sessions to the subscribing customers.

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 (RMB) ⁽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

SUMMARY

	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 original subscribing customers at the end of the period is calculated by subcontracting the number of customers whose subscription terminated/expired from the number of subscribing customers at the beginning 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 our increasing need for remanufacturing of the devices, as a growing number of devices were procured and utilized to meet the 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%.

See “Business – Our Business – Key Operating Data.”

SUMMARY

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. 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 the our device utilization and operational efficiency. We have implemented comprehensive inventory management measures during the Track Record Period and have achieved a high utilization rate of our devices, being approximately 89%, 92% and 91% in 2020, 2021 and 2022, respectively. We closely monitor the changes in inventory levels to ensure smooth operations with low inventories. In addition, we dynamically adjust our inventory of different types of devices and components, and determine local inventory levels based on the actual needs of our customers in that region.

The number of our active customers, devices under service and devices sold to customers experienced a continuous increase during the Track Record Period. 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, including automated network diagnostic softwares, automatic printer installation tools and 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. For the year ended December 31, 2022, the net increase in the number of devices under service was slightly lower than the increase in the same period in 2021, primarily as a result of (1) our number of new subscribing customers decreased from 18,089 during the year ended December 31, 2021 to 14,709 during the year ended December 31, 2022 as our marketing activities slowed down during the same period due to the impacts of COVID-19 and (2) temporary decrease in our existing customers' demands for office IT subscription services as they have adjusted hiring plans and related IT service procurement due to the impacts of COVID-19.

The following table illustrates the movement of the 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

SUMMARY

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.

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 laptops, monitors and desktops 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.

SUMMARY

- (2) Others mainly include all-in-one PCs, workstations, servers, 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 (i) two years for tablets, mobile phones, printers and other computer accessories or electronic devices, (ii) five years for workstations and servers, and (iii) seven years for all-in-one PCs.

OUR STRENGTHS

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

- The largest office IT integrated solution provider in China
- High customer retention contributing to revenue growth visibility
- Industry-leading remanufacturing capability
- Efficient self-developed operation system
- Experienced management team with deep market insight

See “Business – Our Strengths.”

OUR STRATEGIES

In order to further solidify our competitive strength and achieve future growth, we plan to pursue the following strategies:

- Expanding customer base and improving market penetration
- Enriching service offerings and promoting service innovation
- Enhancing our remanufacturing capability
- Expanding our SaaS product offerings

See “Business – Our Strategies.”

COMPETITIVE LANDSCAPE

According to Frost & Sullivan, the size of the usage-based office IT service industry in China in terms of revenue in 2021 was RMB7.0 billion. The top five players in the usage-based office IT service industry in China accounted for an aggregate market share of 25.4%. According to the same source, in 2021, our Group, with a market share of 14.3%, ranked first

SUMMARY

in the usage-based office IT industry in China in terms of revenue, number of devices under service, and remanufacturing capacity, respectively. The usage-based office IT industry in the PRC is increasingly competitive. To maintain our market position, we avail ourselves of the know-how on key elements in the long and complex value chain of office IT service industry.

According to the same source, the size of the office IT integrated solution industry in China in terms of revenue in 2021 was RMB5.1 billion. The top five players in the office IT integrated solution industry in China accounted for an aggregate market share of 33.6%. In 2021, our Group was the largest in the office IT integrated solution industry in China in terms of revenue, with a market share of 19.6%.

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 in the office IT service industry. Specifically, according to Frost & Sullivan:

- *Rich experience in large-scale device operations.* We offered the highest number of devices under service in 2021. As of December 31, 2022, we had approximately 42,000 subscribing enterprise customers and approximately 1.1 million devices under subscription.
- *Flexibility in terms of subscription.* Customers place orders with subscription term on a monthly basis, usually ranging from one month to three years so that 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, or incur excessive IT overheads.
- *High quality customer service.* Our response time in our core markets including Beijing, Shanghai and Shenzhen is about ten times faster than industry average.
- *Expertise in remanufacturing technology.* We owned the only PC remanufacturing factory network in China that had a production capability for over 600,000 devices in a year. 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.

Moreover, we enjoy a number of competitive advantages over traditional device rental service providers, primarily including our broad technical support and our other value-added services, especially managed IT services.

See “Industry Overview – Competitive Landscape” and “Business – Competition.”

SUMMARY

RISK FACTORS

Our business and the [REDACTED] involve certain risks as set out in “Risk Factors” in this document. You should read that section in its entirety carefully before you decide to invest in our Shares. Some of the major risks we face include the following:

- Due to our limited operating history in an emerging and rapidly evolving market, our historical results may not be indicative of our future performance.
- The failure to attract new customers, the loss of existing customers, or a reduction in their demand for our pay-as-you-go office IT integrated solutions could have a material adverse impact on our business.
- Our customers are mainly SME customers and their business may be vulnerable to macroeconomic industry-wide fluctuations and depressions, which could impair our trade receivables and liquidity position, and have a material adverse impact on our own results of operations and financial condition.
- 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.
- We have incurred, and in the future may continue to incur, net losses and negative cash outflow. We also recorded net current liabilities and negative equity, or net deficit, during the Track Record Period, which could expose us to liquidity risks.
- 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 subject to interest rate risk. Our Group’s financial performance may be affected by the interest rates hike, which may increase our finance costs and operating costs as we have leased-in devices and borrow money from financial institutions.
- The approval and/or other requirements of the CSRC or other PRC governmental authorities may be required in connection with the [REDACTED] under PRC rules, regulations or policies.

See “Risk Factors.”

SUMMARY

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The summary historical data of financial information set forth below has been derived from, and should be read in conjunction with, our consolidated audited financial statements as at and for the years ended December 31, 2020, 2021, and 2022, including the accompanying notes, set forth in the Accountants’ Report in Appendix I to this document, as well as the information set forth in “Financial Information.” Our financial information was prepared in accordance with IFRS.

Selected Items of Consolidated Statements of Profit or Loss

The table below sets forth selected items of our consolidated statement of profit or loss for the year indicated:

	For the year ended December 31,					
	2020		2021		2022	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Revenue	813,148	100.0	1,183,749	100.0	1,371,889	100.0
Cost of sales	<u>(476,103)</u>	<u>(58.6)</u>	<u>(618,527)</u>	<u>(52.3)</u>	<u>(745,346)</u>	<u>(54.3)</u>
Gross profit	337,045	41.4	565,222	47.7	626,543	45.7
Gain/(loss) on changes in fair value of financial liabilities at fair value through profit or loss (“FVTPL”)	18,609	2.3	(416,358)	(35.2)	(702,170)	(51.2)
Finance costs	<u>(95,342)</u>	<u>(11.7)</u>	<u>(146,237)</u>	<u>(12.4)</u>	<u>(169,595)</u>	<u>(12.4)</u>
Loss before tax	<u>(87,716)</u>	<u>(10.8)</u>	<u>(351,023)</u>	<u>(29.6)</u>	<u>(646,265)</u>	<u>(47.1)</u>
Loss and total comprehensive expense for the year	<u><u>(88,444)</u></u>	<u><u>(10.9)</u></u>	<u><u>(348,245)</u></u>	<u><u>(29.4)</u></u>	<u><u>(611,607)</u></u>	<u><u>(44.6)</u></u>

Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net profit/(loss) (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We define adjusted net profit/(loss) (non-IFRS measure) as net

SUMMARY

profit/(loss) for the year adjusted by adding (i) share-based payment expenses, which are non-cash expenses arising from granting share-based awards to employees; (ii) fair value changes of financial liabilities at FVTPL, representing non-cash expenses arising from granting preferred shares and convertible bonds to investors; and (iii) [REDACTED] expenses, which are expenses relates to our [REDACTED]. See “Financial Information – Consolidated Statements of Profit or Loss – Non-IFRS measure – Adjusted Net Profit/(Loss).” We define EBITDA as net loss for the year by adding back (i) net finance costs, (ii) income tax expense/(credit), (iii) depreciation and (iv) amortization. We add back share-based payment expenses, fair value changes of financial liabilities at FVTPL and [REDACTED] expenses to EBITDA to derive adjusted EBITDA (non-IFRS measure). See “Financial Information – Consolidated Statements of Profit or Loss – Non-IFRS measures – EBITDA and Adjusted EBITDA.”

	For the year ended December 31,		
	2020	2021	2022
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Loss and total comprehensive expense for the year	(88,444)	(348,245)	(611,607)
<i>Add:</i>			
Share-based payment expenses	62,529	7,739	16,509
Gain/(loss) on fair value changes of financial liabilities at FVTPL	(18,609)	416,358	702,170
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net (loss)/profit for the year (non-IFRS measure)	(44,524)	93,481	135,189

	For the year ended December 31,		
	2020	2021	2022
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Loss and total comprehensive expense for the year	(88,444)	(348,245)	(611,607)
<i>Add:</i>			
Net finance costs	83,579	144,470	163,034
Income tax expense/(credit)	728	(2,778)	(34,658)
Depreciation	220,975	301,788	396,289
Amortization	104	241	410
EBITDA (non-IFRS measure)	216,942	95,476	(86,532)
<i>Add:</i>			
Share-based payment expenses	62,529	7,739	16,509
Gain/(loss) on fair value changes of financial liabilities at FVTPL	(18,609)	416,358	702,170
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted EBITDA (non-IFRS measure)	260,862	537,202	660,264

SUMMARY

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.

Revenue

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, increased by 15.9% to RMB1,371.9 million for the year ended December 31, 2022.

During the Track Record Period, our revenue was primarily generated from pay-as-you-go office IT integrated solutions. “Pay-as-you-go” refers to a flexible subscription method through which we provide hardware and handle software installation, device/engineer deployment, operation and maintenance support, performance optimization, and life cycle management services all under one service pack while customers can subscribe and unsubscribe to the office IT service flexibly based on their evolving needs. See “Business – Our Business – Our Office IT Integrated Solutions – Pay-as-you-go Subscription.” We also generate revenue from sales of devices as well as SaaS and other services. See “Business – Our Business – Sales of Devices” and “Business – Our Business – Our SaaS Product.” 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>

SUMMARY

Gross Profit/(Loss) and Gross Profit/(Loss) Margin

Gross profit/(loss) represents our revenue less cost of sales. Gross margin represents gross profit/(loss) as a percentage of revenue. For the year ended December 31, 2020, 2021 and 2022, respectively, we had gross profit margin of 41.4%, 47.7% and 45.7%, respectively. The following table sets forth our gross profit and gross profit margin by segment for the periods indicated:

	For the year ended December 31,					
	2020		2021		2022	
	Gross profit margin Amount	Gross profit margin %	Gross profit margin Amount	Gross profit margin %	Gross profit/ margin Amount	Gross profit/ margin %
	<i>(RMB in thousands, except for percentages)</i>					
Pay-as-you-go office IT integrated solutions	311,701	48.5	540,349	54.1	640,286	55.0
Sales of devices	14,826	9.4	14,687	8.5	(25,245)	(13.1)
SaaS and other services	10,518	83.8	10,186	77.2	11,502	86.7
Total gross profit/Overall gross profit margin	337,045	41.4	565,222	47.7	626,543	45.7

Gross profit from our pay-as-you-go office IT integrated solutions increased by 73.4% from RMB311.7 million for the year ended December 31, 2020 to RMB540.3 million for the year ended December 31, 2021, further increased by 18.5% to RMB640.3 million for the year ended December 31, 2022. Meanwhile, the gross profit margin of our pay-as-you-go office IT integrated solutions increased from 48.5% for the year ended December 31, 2020 to 54.1% for the year ended December 31, 2021, which was primarily attributable to: (i) our better bargaining position under economies of scale in procurement negotiations, enabling us to procure devices at a lower price 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 (iii) our improved efficiency in service delivery and risk control. The gross profit margin of our pay-as-you-go office IT integrated solutions was 55.0% for the year ended December 31, 2022, which remained relatively stable compared to that for the year ended December 31, 2021.

Gross profit from sales of devices remained relatively stable at RMB14.8 million for the year ended December 31, 2020 and RMB14.7 million for the year ended December 31, 2021, and decreased significantly to a loss of RMB25.2 million for the year ended December 31, 2022. Meanwhile, our gross profit margin of sales of devices slightly decreased from 9.4% for the year ended December 31, 2020 to 8.5% for the year ended December 31, 2021, and decreased to a loss margin of 13.1% for the year ended December 31, 2022. This decrease was because (i) from late 2019 to 2021, we started to offer the opportunity for subscribing customers to buy out their devices whilst in use. The sales of such devices typically do not have

SUMMARY

a high profit margin as we usually offer a discount to these customers, taking into consideration the existing relationships with them; and (ii) the gross profit margin and the average sales of our sales of devices through Epaiji platform decreased in 2021 and further decreased to a loss margin of 13.1% in 2022 mainly because (a) we strategically expanded sales of surplus of devices through Epaiji platform with generally lower prices than our previous sales through Epaiji to improve operational efficiency and the utilization rate of our devices and (b) as the demands in the PC market declined significantly in 2022 with increase in supply in relation to (i) ease on supply chain shortage and (ii) increased supplies of pre-owned devices from companies that disposed self-owned devices due to lay-offs or closures during the same year, we also adjusted the sales price for sales through Epaiji accordingly.

Gross profit from SaaS and other services remained relatively stable at RMB10.5 million for the year ended December 31, 2020 and RMB10.2 million for the year ended December 31, 2021, and increased to RMB11.5 million for the year ended December 31, 2022. Gross profit margin of SaaS and other services slightly decreased from 83.8% for the year ended December 31, 2020 to 77.2% for the year ended December 31, 2021 and increased to 86.7% for the year ended December 31, 2022, primarily due to that the types of maintenance tasks requested by customers varied from period to period while the gross profit from SaaS services remained stable.

Cost of sales

The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	For the year ended December 31,					
	2020		2021		2022	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Depreciation of self-owned and lease-in rental computer devices	209,395	44.0	285,457	46.2	370,007	49.6
Purchase cost of sales of devices	138,439	29.1	153,003	24.7	213,753	28.7
Employee benefit cost	60,742	12.8	84,412	13.6	90,143	12.1
Packing and delivery cost	23,833	5.0	33,750	5.5	27,707	3.7
Others ⁽¹⁾	43,694	9.1	61,905	10.0	43,736	5.9
Total	<u>476,103</u>	<u>100.0</u>	<u>618,527</u>	<u>100.0</u>	<u>745,346</u>	<u>100.0</u>

Note:

- (1) Others include cost of accessories, technical service cost, other daily operating costs, and cost for SaaS and other services.

SUMMARY

Selected Items of Financial Position

The following table sets out selected items of our consolidated statement of financial position as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>		
Non-current assets	1,562,684	2,301,842	2,257,989
Current assets	947,235	808,418	779,604
Non-current liabilities	393,536	2,802,372	3,408,306
Current liabilities	3,092,311	1,623,138	1,539,635
Net current liabilities	(2,145,076)	(814,720)	(760,031)
Net liabilities	(975,928)	(1,315,250)	(1,910,348)

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. 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.

As of December 31, 2020, 2021, and 2022, we recorded net liabilities of RMB975.9 million, RMB1,315.3 million and RMB1,910.3 million, respectively. Our net liabilities as of December 31, 2020, 2021, and 2022, were primarily due to (i) our accumulated loss of RMB958.6 million as of January 1, 2020 and (ii) our accumulated losses, which amounted to RMB1,047.1 million, RMB1,395.7 million and RMB2,007.9 million as of the same dates, respectively, mainly attributable to the financial liabilities measured at FVTPL. In 2021 and 2022, our loss on the fair value change on financial liabilities at FVTPL was RMB416.4 million and RMB702.2 million, respectively, which was mainly related to our preferred shares. Our net liabilities were partially offset by our share-based payments reserve of RMB62.5 million, RMB7.7 million and RMB16.5 million as of the same dates, respectively. See “Consolidated Statements of Changes in Equity” in the Accountants’ Report in Appendix I to this document. We expect to return to net asset position upon [REDACTED], taking into account the redesignation 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.

We finance our device acquisition by loans and leases primarily at fixed rates for either subscription services under the pay-as-you-go model or sales of devices in installments. As of December 31, 2022, the carrying amounts of borrowings that are repayable (i) on demand or within one year, (ii) over one year but not exceeding two years, and (iii) over two years amounted to RMB1,072.7 million, RMB265.1 million and RMB55.5 million, respectively. As of the same date, the present value of our lease liabilities (i) within one year, (ii) over one year but not exceeding two years, and (iii) over two years amounted to RMB185.9 million,

SUMMARY

RMB71.4 million and RMB32.0 million, respectively. See note 16(b) and 25 to the Accountants’ Report in Appendix I to this Document. Meanwhile, as of December 31, 2022, the majority of the remaining subscription terms for our pay-as-you-go office IT integrated solutions and SaaS products ranged over one year, representing RMB1,923.9 million, or 95.5%, and RMB5.7 million, or 85.1%, of the total remaining subscription value, respectively. See “Business – Our Business – Key Operating Data” for details. Further, we typically require monthly payment in fixed amount with payment terms of one to three years for our sales of devices in installments. As such, we have maturity mismatch between our finance lease and borrowing terms, and the pay-as-you-go subscription terms with our customers, and maturity mismatch between our borrowing terms and the payment terms for our sales of devices in installments. See “Risk Factors – Risks Relating to our Business and Industry – We are subject to interest rate risk. Our Group’s financial performance may be affected by the interest rates hike, which may increase our finance costs and operating costs as we have leased-in devices and borrow money from financial institutions” for details.

During the Track Record Period, we incurred net current liabilities, net liability positions, net losses, operating cash outflows, and increasing indebtedness. See “Business – Business Sustainability.”

Summary of the Consolidated Statements of Cash Flows

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the years indicated:

	For the year ended December 31,		
	2020	2021	2022
	<i>RMB’000</i>		
Net cash (used in)/from operating activities	<u>(268,509)</u>	<u>(207,089)</u>	<u>595,549</u>
Net cash (used in)/from investing activities	<u>(29,791)</u>	<u>86,283</u>	<u>1,479</u>
Net cash from/(used in) financing activities	<u>753,136</u>	<u>(47,077)</u>	<u>(636,055)</u>
Net increase/(decrease) in cash and cash equivalents	<u><u>454,836</u></u>	<u><u>(167,883)</u></u>	<u><u>(39,027)</u></u>
Cash and cash equivalents at the beginning of the year	280,669	725,366	542,568
Effect of foreign exchange rate changes	(10,139)	(14,915)	2,262
Cash and cash equivalents at the end of the year	<u><u>725,366</u></u>	<u><u>542,568</u></u>	<u><u>505,803</u></u>

Note:

- (1) Changes in working capital are mainly caused by our procurement of devices to support our continuous investment in our business development.

SUMMARY

For the years ended December 31, 2020 and 2021, we recorded net operating cash outflows of RMB268.5 million and RMB207.1 million, respectively, primarily because we proactively spent cash in procurement of devices based on previous results of operations and our development strategies. We have been improving our operating cash flow to keep up with the business growth. 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.

Taking into account the financial resources available to us, including our cash and cash equivalents, available borrowings, as well as estimated net [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital required for our operations at present and for at least the next 12 months from the date of this document. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of our cash and cash equivalents, bank and other borrowings and net [REDACTED] from the [REDACTED].

With same bases as set above, the Sole Sponsor concurs with the Directors’ view that the Company has sufficient working capital required for its operations at present and for at least the next 12 months from the date of this document.

Key Financial Ratios

The following table set forth our key financial ratios as of the date or for the period indicated:

	For the year ended December 31,		
	2020	2021	2022
Total revenue growth ⁽¹⁾	28.6%	45.6%	15.9%
Total gross profit margin ⁽²⁾	41.4%	47.7%	45.7%
Net profit margin ⁽³⁾	(10.9%)	(29.4%)	(44.6%)
Adjusted net profit margin (non-IFRS measure) ⁽⁴⁾	(5.5%)	7.9%	9.9%

(1) Total revenue growth equals to the current year’s revenue minus the previous year’s revenue, divided by the previous year’s revenue, and multiplied by 100%.

(2) Gross profit margin equals gross profit divided by revenue for the year and multiplied by 100%.

(3) Net profit margin equals (loss)/profit divided by revenue for the year and multiplied by 100%.

(4) Adjusted net profit margin (non-IFRS measure) equals non-IFRS (loss)/profit divided by revenue for the year and multiplied by 100%.

SUMMARY

DIVIDENDS

No dividends have been paid or declared by our Company during the Track Record Period. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment, as well as the amount of dividends, will be subject to our constitutional documents and Cayman Companies Act. Under the Cayman Islands law, our Company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. As advised by our Cayman Islands counsel, subject to the above, there is no restriction under the Cayman Islands law for our Company to declare and pay a dividend, despite our net liabilities position. In addition, our Directors may from time to time pay such interim dividends on shares outstanding of our Company and authorize payment of the same out of the funds of our Company that are lawfully available. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the discretion of our Board. See "Financial Information – Dividend."

FUTURE PLAN AND USE OF [REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the [REDACTED] Range), we estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED] after deducting the [REDACTED] and other estimated expenses paid and payable by us in connection with the [REDACTED] and assuming that the [REDACTED] is not exercised and no Shares are issued pursuant to the Pre-[REDACTED] Option Plan. In line with our strategies, we intend to use our [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- Approximately [REDACTED]%, or HK\$[REDACTED], will be allocated over the next three years to enhance our sales and marketing capabilities and expand our service network, which will further enlarge our customer base and strengthen our brand reputation;
- Approximately [REDACTED]%, or HK\$[REDACTED], will be used over the next three years to optimize and expand service offerings to satisfy customers' evolving needs, as well as upgrade our technology infrastructure to improve service quality;
- Approximately [REDACTED]%, or HK\$[REDACTED], will be used to enhance our remanufacturing capability to improve operational efficiency and save labor costs over the next three years; and
- The remaining approximately [REDACTED]%, or HK\$[REDACTED], will be used for working capital and general corporate purposes.

SUMMARY

We estimate the net [REDACTED] to the [REDACTED] from the sale of [REDACTED] pursuant to the [REDACTED] to be approximately HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range), after deducting the [REDACTED] and estimated related expenses payable by the [REDACTED]. We will not receive net [REDACTED] from the sale of [REDACTED] pursuant to the [REDACTED].

See “Future Plans and Use of [REDACTED].”

PRE-[REDACTED] INVESTMENT

From 2015 to 2021, we have completed several rounds of Pre-[REDACTED] Investments, for which our Company issued Series Angel Preferred Shares, Series A-1 Preferred Shares, Series A-2 Preferred Shares, Series A-3 Preferred Shares, Series B Preferred Shares, Series C Preferred Shares, Series D Preferred Shares and Series E Preferred Shares to the relevant Pre-[REDACTED] Investors, including Hongtai, Koala Fund, Matrix, X Adventure, Shunwei, Source Code, GIC, Seas Investment, Zhongguancun Zhongnuo and Innoven. See “History, Reorganization and Corporate Structure – Pre-[REDACTED] Investments.”

SINGLE LARGEST SHAREHOLDERS GROUP

In light of the Existing WVR Structure and the Mr. Zhang and Huaqing Proxy Arrangement, as of the Latest Practicable Date, Dr. Ji is entitled to exercise 75.44% voting rights attached to 13.90% Shares of the Company, among which, Dr. Ji is entitled to exercise (i) 45.06% voting rights attached to 13.90% Shares of the Company indirectly through Dr. Ji Entity; (ii) 30.04% voting rights attached to 9.27% Shares of the Company held by Mr. Zhang Entity pursuant to the Mr. Zhang, Huaqing Proxy Arrangement; and (iii) 0.34% voting rights attached to 1.06% Shares of the Company held by Huaqing Hongyi and Huaqing Yuyi pursuant to the Mr. Zhang and Huaqing Proxy Arrangement. In addition, Huaqing Kuaiyi is the general partner of each of Huaqing Hongyi and Huaqing Yuyi. Therefore, Dr. Ji, Dr. Ji Entity, Mr. Zhang, Mr. Zhang Entity, Huaqing Hongyi, Huaqing Yuyi and Huaqing Kuaiyi constitute our Single Largest Shareholders Group and are treated as a group of our controlling shareholders before the [REDACTED].

On [●], the Shareholders of our Company resolved to terminate the Existing WVR Structure effective upon the [REDACTED]. Immediately after the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and no Shares are issued pursuant to the Pre-[REDACTED] Option Plan), Dr. Ji will be entitled to exercise [REDACTED]% voting rights of the Shares of the Company, including (i) [REDACTED]% voting rights of the Shares of the Company indirectly through Dr. Ji Entity; (ii) [REDACTED]% voting rights of the Shares of the Company held by Mr. Zhang Entity pursuant to the Mr. Zhang and Huaqing Proxy Arrangement; and (iii) [REDACTED]% voting rights of the Shares of the Company held by Huaqing Hongyi and Huaqing Yuyi pursuant to the Mr. Zhang and Huaqing Proxy Arrangement. As such, Dr. Ji, Dr. Ji Entity, Mr. Zhang, Mr. Zhang Entity, Huaqing Hongyi, Huaqing Yuyi and Huaqing Kuaiyi will no longer

SUMMARY

constitute a group of our controlling shareholders, but will remain as our Single Largest Shareholders Group upon completion of the [REDACTED]. See “Relationship with our Single Largest Shareholders Group.”

PRE-[REDACTED] OPTION PLAN

The Company’s Pre-[REDACTED] Option Plan was adopted, confirmed and ratified by our Shareholders on February 25, 2022. The purpose of the Pre-[REDACTED] Option Plan is to achieve strategic goals and fuel the development of our Company by providing our Directors, senior management and employees with the opportunity to acquire proprietary interests in our Company. [As of the Latest Practicable Date, our Company had granted options under the Pre-[REDACTED] Option Plan to a total of [478] eligible grantees, including [four] Directors, senior management and other connected persons of the Company, [four] grantees that have been granted options to subscribe for 100,000 Shares (being 1,000,000 Shares immediately following the completion of the Share Subdivision) or above and [470] other current and past employees of our Group, to subscribe for an aggregate of [3,039,765] Shares (being [30,397,650] Shares immediately following the Share Subdivision) under the Pre-[REDACTED] Plan, representing [REDACTED]% of the total number of Shares in issue immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued pursuant to the Pre-[REDACTED] Option Plan).] See “Appendix IV – Statutory and General Information – D. Pre-[REDACTED] Option Plan.”

RECENT DEVELOPMENT ON RULES RELATING TO OVERSEAS OFFERING AND LISTING

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and relevant five guidelines, which will become effective on March 31, 2023. According to the Overseas Listing Trial Measures, PRC domestic enterprises that seek to offer and list securities in overseas markets, either in direct or indirect means (the “**Overseas Offering and Listing**”), are required to fulfill the filing procedure with the CSRC and submit filing reports, legal opinions, and other relevant documents. Specifically, following the principle of substance over form, if an issuer meets both of the following criteria, its overseas offering and listing will be deemed as indirect Overseas Offering and Listing by a PRC domestic enterprise: (i) 50% or more of any of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer’s business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China. The Overseas Listing Trial Measures also requires subsequent reports to be submitted to the CSRC on material events (the “**Material Events**”), such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings. For more details, please refer to “Regulatory Overview – Laws and Regulations Relating to Overseas Offering and Listing”.

SUMMARY

According to the Notice on Arrangements for Record Filing Administration of Overseas Offering and Listing of Domestic Enterprises and the relevant replies to questions by the CSRC officials which are both promulgated with the Overseas Listing Trial Measures simultaneously, (i) where, before March 31, 2023 (i.e. the effective date of the Overseas Listing Trial Measures), the PRC domestic enterprise’s application for its indirect Overseas Offering and Listing has been approved by the overseas regulatory authorities or overseas stock exchanges (for example, a hearing has been passed by the Stock Exchange) but has not completed indirect Overseas Offering and Listing, a six-month transition period from March 31, 2023 (the “**Transition Period**”) shall be allowed: if the PRC domestic enterprise does not need to re-perform the regulatory procedures for offering and listing with the overseas regulatory authorities or overseas stock exchanges and the PRC domestic enterprise completes the Overseas Offering and Listing within the Transition Period, it will not be required to file with CSRC for this Overseas Offering and Listing; if the PRC domestic enterprise needs to re-perform the regulatory procedures for offering and listing with the overseas regulatory authorities or overseas stock exchanges (for example, a new hearing required by the Stock Exchange) or fail to complete Overseas Offering and Listing within the Transition Period, they shall file with the CSRC for this Overseas Offering and Listing; (ii) the PRC domestic enterprise which has submitted a valid application for Overseas Offering and Listing but has not yet obtained the consent of the overseas regulatory authorities or the overseas stock exchange before March 31, 2023 may make a reasonable time for submitting the filing application to the CSRC and shall complete the filing prior to its Overseas Offering and Listing.

RECENT DEVELOPMENT ON RULES RELATING TO CYBERSECURITY AND DATA PRIVACY

On December 28, 2021, the CAC and several other PRC governmental authorities jointly issued the Cybersecurity Review Measures (《網絡安全審查辦法》), which took effect on February 15, 2022. On November 14, 2021, the CAC published the Regulations on Network Data Security Management (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Data Security Regulations, for public comments. See “Regulatory Overview – Laws and Regulations Relating to Cybersecurity” for details.

Our Directors and our PRC Legal Advisor are of the view that the Draft Data Security Regulations, if implemented in their current forms, together with the Cybersecurity Review Measures, will not have any material adverse effect on our business operations or the proposed [REDACTED] on the following basis as of the Latest Practicable Date:

- (i) we have implemented comprehensive measures to protect user privacy and data security and to comply with applicable cybersecurity and data privacy laws and regulations, see “Business – Risk Management and Internal Control – Data Privacy and Information Security Risk Management.” To our best knowledge, we have not had any incident of data or personal information leakage, or violation of data protection and privacy laws and regulations;

SUMMARY

- (ii) we have not been subject to any investigation, inquiry, or sanction in relation to cybersecurity or data privacy or any cybersecurity review from the CAC, the CSRC, or any other relevant government authority;
- (iii) during the Track Record Period and up to the Latest Practicable Date, we have not been subject to any fines or other penalties due to non-compliance with cybersecurity or data privacy laws or regulations;
- (iv) as advised by our PRC Legal Advisor, since we mainly provide office IT services for the enterprises, the data we process are primarily business data and the number of individuals whose personal information we process has not reached one million, and the term of “listing on a foreign stock exchange” (國外上市) under the Cybersecurity Review Measures exempts listing in Hong Kong from the voluntary filings for cybersecurity review;
- (v) we have not been involved in any activities that might give rise to national security risks based on the factors set out in Article 10 of the Cybersecurity Review Measures;
- (vi) we have taken reasonable and adequate technical and organizational measures to protect data security, with all the data stored within the territory of the PRC; and
- (vii) the data we process has not been recognized by any relevant authorities as core data or key data, and we have not been notified by any authorities of being classified as a critical information infrastructure operator.

Given the lack of detailed interpretation, there remain uncertainties as to the categories and scope of data processing activities which would influence or possibly influence national security under the Draft Data Security Regulations. 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 have a material adverse impact on our reputation and deter current and potential users from using our services.” We will closely monitor the legislative progress of the further regulatory developments regarding cybersecurity and data privacy laws, including the development on cybersecurity review and seek guidance from relevant regulatory authorities in a timely manner to ensure the appropriate measures taken by us.

EFFECTS OF THE COVID-19 OUTBREAK ON OUR BUSINESS

COVID-19 has caused temporary disruptions to our business operations, especially in office IT integrated solutions, and affected our financial performances. We have experienced a temporary decrease in service demand, primarily due to our customers’ closures and reduced

SUMMARY

business activities during the COVID-19 outbreaks. Many customers, especially those from industries that require on-site or face-to-face operations like the retail industry and education industry, terminated their subscriptions due to a sharp decline in their business operations.

In addition, as our business operations require a significant amount of capital, we need adequate and timely sources of funding to maintain and further develop our business. Our major funding sources are mainly from our business operation and borrowings from financial institutions. During the COVID-19 pandemic, some financial institutions had longer internal approval processes for the release of funds, thereby affecting our cash inflow and liquidity positions.

Despite the temporary disruption caused by COVID-19, we were able to sustain our strong growth momentum and deliver robust revenue growth. During the COVID-19 outbreak, an increasing number of companies with demand of office IT integrated solutions opted for distributed workforce due to on-site work restrictions. With our nationwide service capability, we were able to provide stable and timely technical support to ensure the stability of our customers' daily operations during the pandemic outbreak. We also provide services through remote support within an optimal response time. Our on-site technicians can be dispatched to provide a convenient door-to-door service to our customers at their homes, offices or even hotels on demand. In this regard, we managed to satisfy customers' demands for office IT integrated solutions including services provided outside office settings, such as remote help desk services, across the country effectively and efficiently, facilitating the growth of our customer base during the outbreak. As working from home has become more prevalent and preferable among companies with low demand for physical attendance and on-site collaboration, the demands for broad and flexible office IT integrated solutions are expected to grow in the long run, which helps enlarge our operating scale and facilitate our future expansion. In addition, many companies became more risk-averse and leaned towards more flexible subscription options in lieu of direct buyout modes, which in turn boosted the revenue growth of our pay-as-you-go office IT integrated solutions. Our revenue from pay-as-you-go office IT integrated solutions increased by 55.1%, from RMB643.3 million in 2020 to RMB997.9 million in 2021, and further increased by 16.8% to RMB1,165.2 million in 2022. As of December 31, 2020, 2021 and 2022, we had cash and cash equivalents of RMB725.3 million, RMB542.6 million and RMB505.8 million, respectively. We believe that the outbreak of COVID-19 did not have a material impact on our cash inflow and liquidity position. During the Track Record Period, none of our debt application was rejected by financial institutions due to the COVID-19 outbreak.

Since 2022, there have been regional outbreaks of the highly transmissible Omicron in China. In response, local governments in the affected areas, such as Shanghai, Shenzhen and Jilin province, imposed various restrictions on business and social activities, including restrictions on travel, logistics and other emergency quarantine measures, as well as partial lockdowns in certain cities. Our business operations in Shanghai have been adversely impacted as a result of the recent COVID-19 recurrence in March. Under the city-wide restrictions over the flow of people and logistics, our number of customers in Shanghai slightly decreased by 2% from March 2022 to May 2022, and rebounded to the March level in June 2022. Our business operations in other provinces and cities, such as Shenzhen and Beijing, were not

SUMMARY

adversely impacted in material aspects. The total number of our customers has increased from 38,774 as of December 31, 2021 to 43,313 as of December 31, 2022. The PRC government gradually eased restrictive measures on business and social activities in December 2022, and re-opened the borders in January, 2023. There had been a temporary rapid progression of COVID-19 during this time. We expect that we will experience recovery of economic environment and rebound of market demands considering the increase of offline activities. Our Directors are of the view that the outbreak of COVID-19 did not have material adverse impact on the our business operations and financial performance during the Track Record Period and up to the Latest Practicable Date.

See “Financial Information – Effects of the COVID-19 Outbreak on Our Business.”

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Accredited to our broad service capabilities covering various stages throughout customer and device life cycles backed by our self-developed operation system and strong remanufacturing technology, we continued to promote service innovation and seize market opportunities. As of December 31, 2022, we had approximately 42,000 subscribing customers and approximately 1.1 million devices under subscription. For the year ended December 31, 2022, we recorded an NDRR of 101.6%. 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. With the continuous expansion of our customer base, our operating scale has further expanded, which further maximized our cost advantages and enhanced our operational efficiency. During the Track Record Period and up to the Latest Practicable Date, there was no significant change to our general business model. In addition, based on our unaudited management accounts, subsequent to the Track Record Period, our business has continued to grow. Such growth is also supported by our continuous efforts to expand the customer base of our office IT integrated solutions and improve market penetration.

The following table sets forth certain of our key operating metrics as of or during the date/periods specified:

	As of January 31, 2022	As of January 31, 2023
Number of active customers	38,418	42,620
– Number of subscribing customers	37,563	41,649
– Number of non-subscribing customers who purchased device(s) in installments	855	971
Number of SaaS customers	2,049	2,068
Number of devices under service	1,105,768	1,081,285
– Number of devices under subscription	1,062,624	1,059,840
– Number of devices under installment purchase	43,144	21,445

SUMMARY

	For the one month ended January 31, 2022	For the one month ended January 31, 2023
Subscription fee per subscribing customer (<i>RMB</i>)	2,551	2,177
Number of devices sold	11,053	5,812
Number of remanufactured devices	40,711	33,099

	For the 12 months ended January 31, 2022	For the 12 months ended January 31, 2023
NDRR	128.1%	98.1%
NDRR for pay-as-you-go office IT services	130.3%	98.4%

In 2023, we expect 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.

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position since December 31, 2022 which would materially affect the information shown in our audited consolidated financial information included in the Accountants' Report in Appendix I to this document.

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the Hong Kong Stock Exchange for the granting of the [REDACTED] of, and permission to deal in, our Shares to be issued pursuant to the [REDACTED] on the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to: (i) our revenue of approximately RMB1.37 billion (equivalent to approximately HK\$1.55 billion) for the year ended December 31, 2022 exceeds HK\$500 million, and (ii) our expected market capitalization at the time of [REDACTED], which, based on the low-end of the indicative [REDACTED] range, exceeds HK\$4 billion.

SUMMARY

[REDACTED] STATISTICS

All statistics in this table are based on the assumption that (1) the [REDACTED] has been completed and [REDACTED] Shares are issued pursuant to the [REDACTED]; (2) options granted under the [REDACTED] are not exercised; and (3) [REDACTED] Shares, including [REDACTED] Shares expected to be in issue immediately upon the completion of the [REDACTED] and the [421,811,170] Preferred Shares to be automatically converted into ordinary shares are issued and outstanding following the completion of the [REDACTED].

	Based on an [REDACTED] of HK\$[REDACTED] per Share	Based on an [REDACTED] of HK\$[REDACTED] per Share
Market capitalization of our Shares ⁽¹⁾	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited [REDACTED] adjusted consolidated tangible assets less liabilities per Share ⁽²⁾	HK\$[REDACTED]	HK\$[REDACTED]

- (1) The calculation of market capitalization is based on [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED], assuming the [REDACTED] is not exercised.
- (2) The unaudited [REDACTED] adjusted consolidated tangible assets less liabilities per Share as of December 31, 2022 is calculated after making the adjustments referred to in Appendix II and on the basis that [REDACTED] Shares are expected to be in issue immediately upon completion of the [REDACTED].

As of December 31, 2022, the carrying amount of the [421,811,170] Preferred Shares was RMB2,984,358,000 and recognized as financial liabilities. Such Preferred Shares shall automatically be converted into ordinary shares without the payment of any additional consideration upon the completion of the [REDACTED].

Had the [421,811,170] Preferred Shares of our Company to be converted been assumed to convert as of December 31, 2022, the unaudited [REDACTED] adjusted consolidated total tangible assets less liabilities of our Group attributable to owners of our Company as of December 31, 2022 per Share would have been calculated based on [REDACTED] Shares. The unaudited [REDACTED] adjusted consolidated total tangible assets less liabilities of our Group attributable to owners of our Company would have increased from approximately RMB[REDACTED] to approximately RMB[REDACTED] based on an [REDACTED] of HK\$[REDACTED] per [REDACTED], or from approximately RMB[REDACTED] to approximately RMB[REDACTED] based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]. The unaudited [REDACTED] adjusted consolidated total tangible assets less liabilities of our Group attributable to owners of our Company per Share would have increased to RMB[REDACTED] (HK\$[REDACTED]) and RMB[REDACTED] (HK\$[REDACTED]), based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] and HK\$[REDACTED] per [REDACTED], respectively.

SUMMARY

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED], and other fees incurred in connection with the [REDACTED]. Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range stated in this document), [REDACTED] expenses and [REDACTED] costs to be borne by us are estimated to be approximately HK\$[REDACTED] (including (i) [REDACTED] of approximately HK\$[REDACTED], and (ii) non-[REDACTED] related expenses of approximately HK\$[REDACTED], which consist of fees and expenses of legal advisors and Reporting Accountants of approximately HK\$[REDACTED] and other fees and expenses of approximately HK\$[REDACTED]), assuming the [REDACTED] is not exercised and no shares are issued pursuant to the Pre-[REDACTED] Option Plan. For the years ended December 31, 2021 and December 31, 2022, approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]) and RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]) was charged as [REDACTED] expenses, respectively and approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]) was charged as [REDACTED] costs to our audited consolidated financial statements. After December 31, 2022, approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]) is expected to be charged to our consolidated financial statements of profit or loss, approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]) is expected to be accounted for as a deduction from equity upon [REDACTED]. The [REDACTED] expenses are expected to account for [REDACTED]% of gross [REDACTED] generated from the [REDACTED]. The [REDACTED] expenses and [REDACTED] costs above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. See “Financial Information – [REDACTED] Expenses.”

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in “Glossary of Technical Terms” in this document.

“affiliate”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“All in Service HK”	All in Service Hong Kong Limited, a limited liability company incorporated in Hong Kong and one of our subsidiaries
“Articles”/“Articles of Association”	the amended and restated memorandum of associations and articles of association of our Company, conditionally adopted on [●] with effect from the [REDACTED], and as amended from time to time, a summary of which is set out in Appendix III to this document
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Ediantao”	Beijing Ediantao Internet Technology Co., Ltd. (北京易點淘網絡技術有限公司), a limited liability company established in the PRC and one of our subsidiaries
“Beijing Ebandian”	Beijing Ebandian Technology Co., Ltd. (北京易盤點科技有限公司), a limited liability company established in the PRC and one of our subsidiaries
“Beijing Hongtai”	Beijing Hongtai Qihang Venture Capital Investment Center (Limited partnership) (北京洪泰啟航創業投資中心(有限合夥)), a limited partnership incorporated in the PRC and an investment vehicle of Hongtai, one of our Pre-[REDACTED] Investors
“Beijing Shunyidian”	Beijing Shunyidian Enterprise Management Partnership (Limited Partner) (北京順易點企業管理合夥企業(有限合夥)), a limited partnership incorporated in the PRC and an investment vehicle of Hongtai, one of our Pre-[REDACTED] Investors

DEFINITIONS

“Beijing Zaishun Yidian”	Beijing Zaishun Yidian Enterprise Management Partnership (Limited Partnership) (北京再順易點企業管理合夥企業 (有限合夥)), a limited partnership incorporated in the PRC and an investment vehicle of Hongtai, one of our Pre-[REDACTED] Investors
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Business Day”	any day (other than Saturday, Sunday and public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“CAC”	the Cyberspace Administration of China (中華人民共和國網絡安全和信息化委員會辦公室)
	[REDACTED]
“Cayman Companies Act”/ “Companies Act”	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Cayman Islands”	the Cayman Islands, a British Overseas Territory
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS

[REDACTED]

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this document only, Hong Kong, the Macau Special Administrative Region and Taiwan
“Co-founder(s)”	Dr. Ji and Mr. Zhang
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company,” “our Company” or “the Company”	Edianyun Limited (易點雲有限公司), an exempted company incorporated in the Cayman Islands with limited liability on November 18, 2015
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Chopra”	Chopra Investment Pte. Ltd., a limited company incorporated in Singapore and an investment vehicle of GIC, one of our Pre-[REDACTED] Investors
“City-Scape”	City-Scape Pte. Ltd., a limited company incorporated in Singapore and an investment vehicle of GIC, one of our Pre-[REDACTED] Investors
“Director(s)”	the director(s) of our Company
“Dr. Ji”	Dr. Ji Pengcheng (紀鵬程), our Co-founder, chairman of the Board, an executive Director, the chief executive officer and a member of our Single Largest Shareholders Group
“Dr. Ji Entity”	JPC Edianzu Holdings Limited, a limited company incorporated in the British Virgin Islands, which is a wholly-owned subsidiary of Dr. Ji and a member of the Single Largest Shareholders Group
“Ease Villa”	Ease Villa Venture Ltd., a limited company incorporated in Hong Kong and an investment vehicle of Source Code, one of our Pre-[REDACTED] Investors
“EasyRent”	EasyRent Venture Ltd., a limited company incorporated in Hong Kong and an investment vehicle of Source Code, one of our Pre-[REDACTED] Investors
“Edianzu HK”	Edianzu Hong Kong Limited, a limited liability company incorporated in Hong Kong and one of our subsidiaries

DEFINITIONS

“EIT Law”	PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) adopted by the National People’s Congress on March 16, 2007, and became effective on January 1, 2008 and latest amended on December 29, 2018
“Entropy”	Entropy Investment L.P., a limited company incorporated in Hong Kong and an investment vehicle of Source Code, one of our Pre-[REDACTED] Investors
“Epanidian (易盤點)”	Our self-developed SaaS product that is designed to help enterprise customers with assets and inventories operation
“Epaiji (易拍機)”	“pai.edianyun.com”, our proprietary online business-to-business bidding platform for pre-owned computer devices
“ESG”	Environmental, Social and Corporate Governance
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
“Frost & Sullivan Report”	The industry report dated February 28, 2022 which we commissioned Frost & Sullivan to prepare on the commerce and service industry in China’s enterprise IT service market
“GDP”	gross domestic product (all references to GDP growth rates are to real as opposed to nominal growth rates of GDP)
“GDPR”	the General Data Protection Regulation, or the GDPR, which came into application in the EU in May 2018
“Geometry”	Geometry Ventures Limited, a limited company incorporated in Hong Kong, which is an investment vehicle of Source Code, one of our Pre-[REDACTED] Investors
“GIC”	one of our Pre-[REDACTED] Investors, referring to a group of companies comprising City-Scape and Chopra, collectively or respectively

DEFINITIONS

[REDACTED]

“Group,” “our Group,” “the Group,” “we,” “us,” or “our”	the Company, its subsidiaries or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

[REDACTED]

DEFINITIONS

“Hongtai”	one of our Pre-[REDACTED] Investors, referring to a group of companies comprising Beijing Zaishun Yidian, Aplus Yidianzu (BVI) Holdings Limited, Beijing Shunyidian, Beijing Hongtai and Shenzhen Hongtai, collectively or respectively
“Huaqing Edian”	Beijing Huaqing Edian Technology Co., Ltd. (北京華清易點科技有限公司), a company incorporated in the PRC on February 2, 2016 with limited liability and one of our subsidiaries
“Huaqing Hongyi”	Tianjin Huaqing Hongyi Enterprise Management Partnership (Limited Partner) (天津華清竝易企業管理合夥企業(有限合夥)), a member of our Single Largest Shareholders Group
“Huaqing Kuaiyi”	Tianjin Huaqing Kuaiyi Enterprise Management Partnership (Limited Partnership) (天津華清快易企業管理合夥企業(有限合夥)), the general partner of each of Huaqing Hongyi and Huaqing Yuyi, and a member of our Single Largest Shareholders Group
“Huaqing Yuyi”	Tianjin Huaqing Yuyi Enterprise Management Partnership (Limited Partner) (天津華清彧易企業管理合夥企業(有限合夥)), a member of our Single Largest Shareholders Group
“IFRS”	International Financial Reporting Standards issued by the International Accounting Standards Board
“Independent Third Party(ies)”	an individual or a company who, to the best of our Directors’ knowledge, information and belief, having made reasonable enquiries, is not a connected person (within the meaning of the Listing Rules)

[REDACTED]

DEFINITIONS

“Innoven” INNOVEN CAPITAL CHINA PTE. LTD., a limited company incorporated in Singapore and one of our Pre-[REDACTED] Investors

[REDACTED]

“Koala Kunlue” Beijing Koala Kunlue Internet Industry Investment Fund (Limited Partnership) (北京考拉昆略互聯網產業投資基金(有限合夥)), previously known as Beijing Lakala Internet Industry Investment Fund (Limited Partnership) (北京拉卡拉互聯網產業投資基金(有限合夥)), a partnership incorporated in the PRC, which is an investment vehicle of Koala Fund, one of our Pre-[REDACTED] Investors

“Koala Fund” one of our Pre-[REDACTED] Investors, referring to a group of companies comprising Koala Kunlue, Lakala Technology and Tianjin Tongrun, collectively or respectively

“Lakala Technology” Lakala Technology Limited, a limited company incorporated in Hong Kong and an investment vehicle of Koala Fund, one of our Pre-[REDACTED] Investors

DEFINITIONS

“Latest Practicable Date” March 1, 2023, being the latest practicable date for ascertaining certain information in this document before its publication

[REDACTED]

“Main Board” the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange

“Matrix” one of our Pre-[REDACTED] Investors, referring to a group of companies comprising Matrix IV, Matrix IV-A and Matrix Partners China IV Hong Kong Limited, collectively or respectively

“Matrix IV” Matrix Partners China IV, L.P., a limited partnership incorporated in the Cayman Islands and an investment vehicle of Matrix, one of our Pre-[REDACTED] Investors

“Matrix IV-A” Matrix Partners China IV-A, L.P., a limited partnership incorporated in the Cayman Islands and an investment vehicle of Matrix, one of our Pre-[REDACTED] Investors

“Memorandum”/“Memorandum of Association” the memorandum of association of our Company, conditionally adopted on [●] and with effect from the [REDACTED], a summary of which is set out in Appendix III to this document

“MIIT” Ministry of Industry and Information Technology (中華人民共和國工業和信息化部)

DEFINITIONS

“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Zhang”	Mr. Zhang Bin (張斌), our Co-founder, an executive Director, the chief operating officer and a member of our Single Largest Shareholders Group
“Mr. Zhang Entity”	ZB Edianzu Holdings Limited, a limited company incorporated in the British Virgin Islands, which is a wholly-owned subsidiary of Mr. Zhang and a member of the Single Largest Shareholders Group

[REDACTED]

“PII”	personally identifiable information
“PRC Legal Advisor”	Shihui Partners, the PRC legal advisor to our Company

DEFINITIONS

- “Pre-[REDACTED] Investments” the Series Angel, Series A-1, Series A-2, Series A-3, Series B, Series C, Series D and Series E of the pre-[REDACTED] investments in our Group, see “History, Reorganization and Corporate Structure – Pre-[REDACTED] Investments” for details
- “Pre-[REDACTED] Investor(s)” the pre-[REDACTED] investors who participated in our Series Angel, Series A-1, Series A-2, Series A-3, Series B, Series C, Series D and Series E Pre-[REDACTED] Investments, see “History, Reorganization and Corporate Structure – Pre-[REDACTED] Investments” for details
- “Pre-[REDACTED] Option Plan” the pre-[REDACTED] option plan adopted, confirmed and ratified by our Company on February 25, 2022, as amended or otherwise modified from time to time, and detailed in “Appendix IV – Statutory and General Information – D. Pre-[REDACTED] Option Plan”

[REDACTED]

- “QIB” a qualified institutional buyer within the meaning of Rule 144A
- “Quark” Quark Venture Limited, a limited company incorporated in Hong Kong and one of our Pre-[REDACTED] Investors
- “Regulation S” Regulation S under the U.S. Securities Act

DEFINITIONS

“Reorganization”	the offshore and onshore reorganization as set out in “History, Reorganization and Corporate Structure – Corporate Reorganization”
“RMB”	Renminbi, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which has been merged into the State Administration of Market Regulation of the PRC (中華人民共和國市場監督管理總局) since 2018
	[REDACTED]
“SAMR”	the State Administration of Market Regulation of the PRC (中華人民共和國市場監督管理總局)
“SAT” or “State Administration of Taxation”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SCNPC”	the Standing Committee of the National People’s Congress
“Seas Capital”	Seas Capital Fund I, L.P., a limited company incorporated in Cayman Islands and an investment vehicle of Seas Investment, one of our Pre-[REDACTED] Investors
“Seas Investment”	one of our Pre-[REDACTED] Investors, referring to a group of companies comprising Seas Capital Fund, ParmaWay Investment Ltd., Cloud YDZ Hong Kong Limited, Seas YDZI Limited, Wuhan Yunkun Management Consultancy Partnership (Limited Partnership) (武漢贊堃管理諮詢合夥企業(有限合夥)), collectively or respectively
	[REDACTED]
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“Shareholder(s)”	holder(s) of our Shares
“Share Subdivision”	the subdivision of the Company’s issued and unissued authorized Shares with nominal value of US\$0.0005 each into 10 Shares of the corresponding class with nominal value of US\$0.00005
“Shares”	ordinary shares in the share capital of our Company with a par value of US\$0.0005 before Share Subdivision and US\$0.00005 after Share Subdivision
“Shenzhen Hongtai”	Shenzhen Hongtai Growth Venture Capital Investment Center (Limited Partnership) (深圳洪泰成長創業投資中心(有限合夥)), a limited partnership incorporated in PRC and an investment vehicle of Hongtai, one of our Pre-[REDACTED] Investors
“Single Largest Shareholders Group”	refers to Dr. Ji, Dr. Ji Entity, Mr. Zhang, Mr. Zhang Entity, Huaqing Hongyi, Huaqing Yuyi and Huaqing Kuaiyi
“Shunwei”	one of our Pre-[REDACTED] Investors, referring to Talented Ventures and Shunwei Ventures III (Hong Kong) Limited, collectively or respectively [REDACTED]
“[REDACTED]”, “[REDACTED]”, “Sole Sponsor”, and “[REDACTED]”	China International Capital Corporation Hong Kong Securities Limited [REDACTED]
“Sonorous”	Sonorous Venture Ltd., a limited company incorporated in Hong Kong and an investment vehicle of Source Code, one of our Pre-[REDACTED] Investors

DEFINITIONS

“Source Code”	one of our Pre-[REDACTED] Investors, referring to a group of companies comprising Geometry, Sonorous, YDZ, Ease Villa, EasyRent, Entropy, Quark, Index Capital Hong Kong Limited, Silver Spring Capital Hong Kong Limited, Source Power Capital Hong Kong Limited, Wellspring Capital Hong Kong Limited and E-Link Capital Hong Kong Limited, Suzhou Yuanqi Equity Investment Center (Limited Partner) (蘇州源啟股權投資中心(有限合夥)), Jiaxing Yuanyu Equity Investment Limited Partnership (Limited Partner) (嘉興源域股權投資合夥企業(有限合夥)) and Fountain Capital Hong Kong Limited, collectively or respectively
	[REDACTED]
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Talented Ventures”	Talented Ventures III Limited (formerly known as Gifted Ventures II Limited), a company incorporated in the British Virgin Islands
“Tianjin Tongrun”	Tianjin Tongrun Enterprise Management Partnership (Limited Partnership) (天津同潤企業管理合夥企業(有限合夥)), a limited partnership incorporated in the PRC and an investment vehicle of Koala Fund, one of our Pre-[REDACTED] Investors
“Track Record Period”	the period comprising the three financial years ended December 31, 2020, 2021 and 2022

[REDACTED]

DEFINITIONS

[REDACTED]

“United States”	the United States of America
“US\$”	United States Dollars, the lawful currency of the United States
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

[REDACTED]

“X Adventure”	one of our Pre-[REDACTED] Investors, referring to a group of companies comprising X Adventure Fund I L.P. and X Adventure I Hong Kong Limited, collectively or respectively
“YDZ”	YDZ Ventures Limited, a limited company incorporated in Hong Kong and an investment vehicle of Source Code, one of our Pre-[REDACTED] Investors
“Zhongguancun Zhongnuo”	Jiangsu Zhongguancun Zhongnuo Cooperative Investment Fund Partnership (Limited partnership) (江蘇中關村中諾協同投資基金合伙企業(有限合伙)), a partnership incorporated in the PRC and one of our Pre-[REDACTED] Investors

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this document. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“CAGR”	Compound annual growth rate;
“COVID-19”	A viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2, which has been declared by World Health Organization as a pandemic on March 11, 2020;
“CRM”	Customer relationship management, our self-developed system through which we administer interactions with our customers;
“device rental service”	A type of usage-based office IT service where enterprise customers make regular payments to the IT devices rental companies to acquire the right to use the devices owned by the IT devices rental companies;
“direct buyout mode”	The traditional mode of enterprise office IT services where enterprise customers directly purchase IT devices and software licensing from PC brands, software vendors and distributors;
“ERP”	Enterprise resource planning, a business process management software that allows an organization to use a system of integrated applications to manage the business and digitalize back-office functions relating to technology, services, and human resources;
“IoT”	Internet of things, the collective network of connected devices and the technology that facilitates communication between devices and the cloud, as well as between devices themselves;
“kWh”	kilowatt-hour, a measure of electrical energy equivalent to a power consumption of one thousand watts for one hour
“managed IT service model”	A model of IT service where enterprises engage third-party IT service providers for the operation and management of their IT devices installed with systems and software and the IT service providers retain responsibility for the functionality of the IT system, and enterprise customers typically pay a recurring fee periodically for receipt of the services;

GLOSSARY OF TECHNICAL TERMS

“MES”	Manufacturing execution system, a computerized system used in manufacturing to track and document the transformation of raw materials to finished goods;
“NDRR”	Net dollar retention rate, a metric used to measure a company’s customer retention. It compares the amount of revenue that a company brings in a given period from the previous period’s existing clients. We calculate NDRR in a given 12-month period by dividing the revenue in a given 12-month period generated from customers retained from the previous 12-month period with revenue in the previous 12-month period generated from customers in the previous 12-month period;
“office IT”	Enterprise office-scenario based information technology infrastructure and corresponding necessary systems and drivers to ensure the device working functions, including personal computers, printers and networks;
“office IT integrated solution”	A new type of usage-based office IT service where enterprise customers receive office IT devices installed with systems and software as well as managed IT services from service providers by paying for the subscription packages offered by service providers on a regular basis;
“pay-as-you-go”	A flexible subscription method where customers pay for usage of services as they occur, as opposed to making a lump-sum prepayment;
“PC”	Personal computer;
“remanufacture”	To precisely identify the cause of a device malfunction and to repair and upgrade the faulty unit as necessary, being the least intrusive and the most efficient method of repairing and improving the performance of devices to meet current performance needs;
“SaaS”	Abbreviation for Software as a Service, a business delivery model in which software is licensed on a subscription basis and is centrally hosted;
“FVTPL”	fair value through profit or loss;
“FVTOCL”	fair value through other comprehensive income;

GLOSSARY OF TECHNICAL TERMS

“SMEs”	Small- and medium-sized enterprises with number of employees under 5,000;
“SPU”	Standard product units, the smallest unit of product information aggregation which describes the characteristics of a product;
“usage-based mode”	A relatively more flexible mode of enterprise office IT services where customers are provided with enterprise office IT services on demand and are charged based on actual usage of IT resources rather than one-off payments of the whole value of IT devices.

FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements. All statements other than statements of historical facts contained in this document, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or those include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- general political and economic conditions, including those related to the PRC;
- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business operations and prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans; and
- various business opportunities that we may pursue.

FORWARD-LOOKING STATEMENTS

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this document. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this document. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

An investment in our Shares involves significant risks. You should carefully consider all the information in this document, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our [REDACTED] could decline, and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in “Forward-looking Statements” in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Due to our limited operating history in an emerging and rapidly evolving market, our historical results may not be indicative of our future performance.

Office IT integrated solution market is a new and rapidly evolving market in China. As the early mover and a major player in this market, we started our business operations in 2014. Our limited operating history may make it difficult to evaluate our future prospects and the risks and uncertainties associated with new offerings, and our historical performance may not be indicative of our future prospects and operating results. We have expanded rapidly since our inception. For the years ended December 31, 2020, 2021, and 2022, we recorded revenues of RMB813.1 million, RMB1,183.7 million and RMB1,371.9 million, respectively. However, there can be no assurance that we will be able to maintain our historical growth rates in the future. Our revenue growth may slow down and even decline for a number of possible reasons, some of which are beyond our control, including, among others, increasing competition, slower growth of China’s enterprise office IT service industry, which is still at a transitional stage from the traditional direct buyout mode to usage-based mode, the emergence of alternative business models and adverse changes in the general economic conditions. If our growth rate declines, investors’ perceptions of our business and prospects may be adversely affected. We aim to continue to expand our businesses and explore new market opportunities. We launched our pay-as-you-go office IT integrated solutions in 2015 and have a limited history in operating such offerings. You should consider our prospects and future profitability in light of the risks, uncertainties, and difficulties encountered by any new company. Such risks and uncertainties may affect our ability to develop and maintain our range of services for our customers and partners, as well as the potential to compete with our competitors.

RISK FACTORS

Furthermore, as part of our business initiatives and growth strategies, we launched our first SaaS product in 2017, and we plan to develop more SaaS products and diversify our offerings in the future. However, the implementation of our business strategies and future plans is also expected to require significant management efforts, whilst incurring additional expenditures. Also, our business plans and strategies have been formulated based on a number of assumptions, many of which are beyond our control and cannot be ascertained. Given the fast development of the enterprise office IT service industry, there is no assurance that our business strategies and future plans will achieve wide market reception, generate revenues or profit, or increase our market shares. If our efforts fail to enhance our monetization capabilities and market positions, we may not be able to maintain or increase our revenues or recover any associated costs, and our business and results of operations may be impacted, which may materially and adversely impact our business and results of operations.

The failure to attract new customers, the loss of existing customers, or a reduction in their demand for our pay-as-you-go office IT integrated solutions could have a material adverse impact on our business.

We derive our revenue primarily from our pay-as-you-go office IT integrated solutions. For the years ended December 31, 2020, 2021, and 2022, revenue from our pay-as-you-go office IT integrated solutions accounted for 79.1%, 84.3% and 84.9% of our total revenue, respectively. Our ability to generate and maintain our revenue from pay-as-you-go office IT integrated solutions depends on a number of factors, including, but not limited to, the scale, engagement and loyalty of our customers, effectiveness of our products and services, and market competition on prices. As the sophistication of our customers' internal operation develops, their needs as to office IT integrated solutions also evolve. Therefore, it is important for us to retain existing customers, as well as attracting future customers by providing appealing services that address their pain points through our services. As of December 31, 2022, we had approximately 42,000 subscribing enterprise customers. However, despite our continuous efforts, we cannot assure you that we will be able to retain existing customers or attract new ones. In addition, as our ability in addressing the pain points of customers is fundamentally driven by our innovations, as well as the optimization of our products and services, if we fail to continually innovate and diversify our product and service offerings to satisfy our customers' evolving needs, we may not be able to continue providing similarly attractive service offerings as our competitors. See "– Our failures to continue to innovate or effectively respond to the rapidly evolving needs of our customers, could have a material adverse impact on our business, financial condition, results of operations and prospects." If we fail to maintain and enhance our relationships with customers or expand the base of our customers, the growth of our pay-as-you-go office IT integrated solutions may be slowed down, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

RISK FACTORS

In addition, our pay-as-you-go office IT integrated solutions revenue is affected by, among others, changes in the enterprise office IT service industry in China and in particular, the evolution of device remanufacturing technology, customers’ perceived value of pay-as-you-go office IT integrated solutions, as well as customers’ budget allocation to office IT service and device upgrade. If the size of the Chinese enterprise office IT service industry does not increase, or if we are unable to capture and retain a sufficient share of that market, our ability to maintain or increase our pay-as-you-go office IT integrated solutions and our profitability and prospects could be adversely affected.

Our customers are mainly SMEs whose business may be vulnerable to macroeconomic or industry-wide fluctuations and depressions.

Economic volatility in the industries in which our customers operate may lead to fluctuations in our SMEs customers’ business development, financial performance and liquidity position. Our customers are from a variety of industries but are mainly SME customers. SMEs, customers may be sensitive and vulnerable to macroeconomic industry-wide fluctuations and depressions because they may lack the necessary risk management capability and resources to compete or even survive in the market. Although some market participants are more resilient than others, due to advantages in technological capabilities and industry positions, we cannot guarantee that all of our customers have those advantages. If a noticeable number of our customers experience severe difficulties within their operations, or if they are unfortunately forced to close as a result of economic depressions, our business operations, results of operations and financial condition could be materially and adversely affected.

We are exposed to credit risk of trade receivables, and our business, financial conditions and operating results may be materially and adversely affected by our customers’ abilities to settle their payments in a timely manner.

Even if our customers outlive macroeconomic depressions, our results of operations and financial condition could still be materially and adversely affected. We usually require customers of our pay-as-you-go office IT integrated solutions to pay subscription fees on a monthly basis. Our customers may not be able to settle their payment with us in a timely manner, or at all. Accordingly, we are subject to credit risk in collecting trade receivables. As of December 31, 2020, 2021 and 2022, we recorded trade and other receivables and prepayments of RMB242.4 million, RMB396.9 million and RMB434.6 million respectively. We typically record impairment losses on our trade receivables and other receivables under expected credit loss model when we assess that there is a significant increase in the credit risk relating to the relevant counterparties. We may reverse the impairment loss when the customers eventually pay. For the years ended December 31, 2020, 2021 and 2022, our impairment losses under ECL, net of reversal amounted to RMB32.2 million, RMB30.5million and RMB51.1 million, respectively. See note 8 to the Accountants’ Report in Appendix I to this Document. In the event that our customers experience financial distress or are unable to settle their payments due to us in a timely manner, or at all, our results of operations and financial condition may be materially and adversely affected. Our customers may also decide against further business expansion in order to avoid unnecessary risks during difficult times, which

RISK FACTORS

reduces their need for office IT integrated solutions, making it harder for us to renew contracts with our existing customers or initiate business relationships with new ones. Our customers’ default risks may also increase during macroeconomic depressions, causing potential impairments to our trade receivables and potential liquidity issues. See “– Customers’ ability to pay could deteriorate due to reasons beyond our control, which could have a material adverse impact on our results of operations and financial condition.”

Customers’ abilities 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.

Our customers’ abilities to make timely payments to us depend on various microeconomic and macroeconomic factors beyond our control. On a macroeconomic and policy level, unfavorable changes in laws, regulations and governmental economic policies could lead to operational hardship for our customers, negatively impacting their results of operations and liquidity positions. Our customers may experience operational difficulties due to their failure to execute appropriate strategies or to closely follow industry trends. The majority of our customers are SMEs, whose business operations and results of operations may be less predictable and dependent on many internal factors, like the viability of their business strategies. Consequently, the business operations of our customers may deteriorate, or even be suspended, which could cause them to default on their periodic payments to us, triggering impairments to our receivable assets. This could lead to decreased demands for our products and services, prolonged trade receivable turnover days, or a higher number of incidents in damage or loss of our devices. As of December 31, 2020, 2021 and 2022, we recorded total trade receivables before impairment losses under expected credit loss of RMB223.6 million, RMB290.0 million and RMB322.4 million, respectively, while our average trade receivables turnover days were 57 days, 49 days and 45 days for the year ended December 31, 2020, 2021 and 2022, respectively.

Increased customer default on payments also negatively impacts our cash flow and our liquidity positions. Any financial difficulties experienced by our customers may result in a reduction in their engagement of our services, exposing us to higher credit risks, as we might be unable to match our interest payments for our financial funding with cash inflow from our customers, causing shortfall in liquidity and impeding our ability to grow our business. Shortfall in liquidity could also impair our ability to make payments pursuant to our own payment obligations towards our business partners, which could deteriorate the relationships with our business partners and prompt them to decide to accelerate our debt or terminate the business relationships. This in turn could materially and adversely affect our results of operations and financial condition.

RISK FACTORS

We have incurred, and in the future may continue to incur, net losses and negative cash outflow. We also recorded net current liabilities and negative equity, or net deficit, during the Track Record Period, which could expose us to liquidity risks.

We have incurred net losses during the Track Record Period. For the years ended December 31, 2020, 2021 and 2022, we recorded net losses of RMB88.4 million, RMB348.2 million and RMB611.6 million, respectively, primarily due to the fair value changes of financial liabilities measured at fair value through profit or loss (“FVTPL”). We recorded losses on fair value changes of financial liabilities measured at FVTPL of RMB416.4 million and RMB702.2 million in 2021 and 2022, respectively, while in 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. We cannot assure you that we will be able to generate net profits in the future. Our ability to achieve profitability depends largely on, among other factors, our ability to successfully enhance customer stickiness and grow our customer base, manage our device utilization, maintain industry-leading remanufacturing capability, manage asset security risk, manage costs and increase operational efficiencies. If we are unable to generate adequate revenues or effectively manage our costs and expenses, we may continue to incur losses in the future and may not be able to achieve or subsequently maintain profitability.

For the years ended December 31, 2020 and 2021, we recorded net operating cash outflows of RMB268.5 million, RMB207.1 million, respectively, while for 2022, we recorded net cash inflow of RMB595.5 million. We had operating cash outflow primarily because we proactively spent cash in procurement of devices based on previous results of operations and our development strategies. We cannot guarantee that prospective business activities of our Group will not lead to net operating cash outflows in the future. If we encounter any matter beyond our control (such as market competition and changes to the macroeconomic environment) that leads to long-term and continuous net operating cash outflow in the future, we may not have sufficient working capital to cover our operating costs, and our business, financial position and results of operations may be materially and adversely affected.

Moreover, we recorded net current liabilities of RMB2,145.1 million, RMB814.7 million and RMB760.0 million as of December 31, 2020, 2021, and 2022, respectively, and negative equity, or net deficit, of RMB975.9 million, RMB1,315.3 million and RMB1,910.3 million, as of December 31, 2020, 2021 and 2022, respectively. We cannot assure you that we will not have net current liabilities in the future. A net current liabilities position exposes us to liquidity risks, and our liquidity position may be materially and adversely affected, which in turn may impact our ability to execute our business strategies and constrain our business operation. In such event, our business, financial condition and results of operations could be materially and adversely affected.

RISK FACTORS

The fair value change of financial liabilities measured at FVTPL would affect our financial performance.

Our financial liabilities at FVTPL are our preferred shares, warrants and convertible bonds issued to investors. For the years ended December 31, 2020, 2021 and 2022, our financial liabilities measured at FVTPL amounted to RMB1,857.5 million, RMB2,282.2 million and RMB2,984.4 million, respectively. Fair values of preferred shares, warrants and convertible bonds are affected by changes in our equity value and various parameters and inputs. Change in fair value presented in RMB include effect of exchange on translation from US dollars balances. For the years ended December 31, 2021 and 2022, our loss on fair value change of financial liabilities at FVTPL amounted to RMB416.4 million and RMB702.2 million, respectively. For the year ended December 31, 2020, our gain on fair value change of financial liabilities at FVTPL amounted to RMB18.6 million. If the fair value of our financial liabilities at FVTPL were to fluctuate, our financial condition could be materially adversely affected.

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 subject to and may continue to maintain a significant level of indebtedness. Our current and non-current borrowings amounted to RMB1.2 billion, RMB1.6 billion and RMB1.4 billion as of December 31, 2020, 2021, and 2022, respectively. We may not be able to satisfy our payment obligations due to several reasons, including: (1) our customers' failure to pay us timely; (2) ineffective cash management; and (3) a general decline in our business volume and operations. Our creditors also have the right to require further security or collateral if the value of the existing collateral declines. A high level of indebtedness could have significant consequences to our business, including, but not limited to: (a) requiring a substantial portion of our cash flow from operations to be used for financing our debt obligations, thereby reducing the availability of the cash flow to fund working capital, capital commitments or other general corporate purposes; (b) limiting our ability to obtain and increasing the cost of additional financing to fund future working capital, capital commitments; and (c) limiting our flexibility in planning for, or reacting to, changes in our business and within our industry. If any of the abovementioned events happens, we may not be able to fully perform our obligations under the agreements, and may incur penalty costs or damages to our liquidity position, which could materially and adversely affect our results of operations and financial condition. Furthermore, failure to repay debts may negatively affect our credit ratings, which will cause our financing costs to increase and weaken our fundraising capabilities, further affecting our liquidity position and financial condition.

RISK FACTORS

We may incur additional indebtedness in the future. We pay a portion of interest and principal payments from our operating cash flow, which are therefore not available to fund our operations, working capital, capital expenditures, expansion, acquisitions or general corporate purposes. In 2020, 2021 and 2022, our interest on borrowings and bond payable were RMB87.0 million, RMB124.3 million and RMB132.4 million, respectively. In order to meet our current debt commitments, and to maintain an adequate level of unrestricted cash to properly fund our operations and expansion, we may need to raise additional funds by obtaining additional financing facilities from banks or other financial institutions. Our inability to raise such funds may materially and adversely affect our financial condition and growth prospects.

We are subject to restrictive covenants under our bank borrowing agreements and finance leasing agreements, with banks and other financial institutions. Such restrictive covenants include, among others, providing notice or obtaining consent for certain significant corporate events and shareholder structure changes. These covenants limit the manner in which we conduct our business and we may be unable to engage in certain business activities or finance future operations or capital needs. Failure to meet these restrictive covenants in the future may entitle lenders to declare all borrowings outstanding and accrued and unpaid interest to be immediately due and payable, and we may be also required to pay accrued and unpaid interest at higher interest rates. Furthermore, any event of default or acceleration of payment in a bank borrowing agreement and finance leasing agreement may trigger cross-default or cross acceleration provisions in other bank borrowing agreements and finance leasing agreements. If lenders accelerate the repayment of our borrowings, we may not have sufficient cash to timely repay the borrowings and repayments may disrupt our cash flow and liquidity plans. Additionally, we have provided collateral under certain borrowings. If we cannot repay these borrowings, lenders may take ownership of collaterals granted to them. As a result, our business, financial condition and results of operations may be materially and adversely affected.

During the Track Record Period, we were in breach of certain restrictive covenants under some of our bank borrowing, pledge and guarantee agreements. We have adopted internal measures to ensure ongoing compliance with our borrowing agreements. See "Financial Information – Indebtedness – Borrowings." Having considered the above, we are of the view that such breach does not have a material impact on our business and financial performance. These borrowings, including those that will mature after December 31, 2023, are presented as current liabilities at amortized cost, using the effective interest method as of December 31, 2022.

During the Track Record Period, we primarily funded our operations through cash generated from customers' subscription fees and our borrowings from financial institutions. As our business scale continues to grow at a faster pace, we may require additional cash resources to finance our continued growth or other future developments, including any investments we may decide to pursue. The amount and timing of such additional financing needs will vary depending on the growth of our new business and the amount of cash flow from our operations. Also, the promptness and adequacy of the funding from banks and financial institutions are subject to many external factors beyond our control, including the financial institutions'

RISK FACTORS

prolonged internal procedures. If we cannot obtain sufficient and prompt bank and other borrowings to fund our business, we may be forced to delay or abandon our growth plans, and our liquidity would be negatively affected, adversely affecting our financial condition, results of operations and growth prospects.

We are subject to interest rate risk. Our Group’s financial performance may be affected by the interest rates hike, which may increase our finance costs and operating costs as we have leased-in devices and borrow money from financial institutions.

We are subject to interest rate risk. A potential interest rate hike in the future will result in a higher cost of capital. Our finance costs during the Track Record Period mainly included interest on interest-bearing loans from banks and other borrowings, interest on convertible bonds and interest on lease liabilities for the leased-in computer devices, which are incurred for the procurement of devices and acquisition of leased-in devices to support our continuous investment in our business development.

We finance our device acquisition by loans and leases primarily at fixed rates for either subscription services under the pay-as-you-go model or sales of devices in installments, and our finance costs are impacted by interest rates. However, in the event of an increase in interest rates, we may not have sufficient bargaining power to fully shift our finance costs. During the Track Record Period, our interest on borrowings amounted to RMB87.0 million, RMB124.2 million and RMB131.3 million in 2020, 2021 and 2022, respectively. Our interest on lease liabilities amounted to RMB8.3 million, RMB21.9 million and RMB37.2 million for the same periods, respectively. See “Financial Information – Consolidated Statements of Profit or Loss – Finance costs.” As of December 31, 2022, the carrying amounts of borrowings that are repayable (i) on demand or within one year, (ii) over one year but not exceeding two years, and (iii) over two years amounted to RMB1,072.7 million, RMB265.1 million and RMB55.5 million, respectively. As of the same date, the present value of our lease liabilities (i) within one year, (ii) over one year but not exceeding two years, and (iii) over two years amounted to RMB185.9 million, RMB71.4 million and RMB32.0 million, respectively. See note 16(b) and 25 to the Accountants’ Report in Appendix I to this Document. Meanwhile, as of December 31, 2022, the majority of the remaining subscription terms for our pay-as-you-go office IT integrated solutions and SaaS products ranged over one year, representing RMB1,923.9 million, or 95.5%, and RMB5.7 million, or 85.1%, of the total remaining subscription value, respectively. See “Business – Our Business – Key Operating Data” for details. Further, we typically require monthly payment in fixed amount with payment terms of one to three years for our sales of devices in installments. As such, we have maturity mismatch between our finance lease and borrowing terms, and the pay-as-you-go subscription terms with our customers, and maturity mismatch between our borrowing terms and the payment terms for our sales of devices in installments. As we plan to increase the portion of leased-in devices to manage our cash flow, our finance costs may increase significantly, particularly in the event of interest rate hike. On the other hand, our bargaining power to price new subscription contracts is affected by a number of factors, such as the market selling price of the devices and our competitive position. If we fail to pass on increased finance costs to our customers in a high interest rate environment, we may be faced with increased operating cost in relation to

RISK FACTORS

increased interest on our borrowings and lease liabilities, which could pose additional challenges for our business development, and our financial condition, results of operation and growth prospects may be materially and adversely affected.

Our results of operations may be adversely affected given the non-recurring nature of additional VAT input deduction.

We had additional VAT input deduction that was recognized in profit or loss due to the VAT reform, which amounted to RMB34.9 million in the year ended December 31, 2022, representing 71.4% of the other income during the same period. In accordance with Taxation Announcement No. 39 of 2019, we are eligible for additional VAT input deduction by 10% of the current period VAT payable from April 1, 2019 to December 31, 2021 and the implementation period was further extended to December 31, 2022 in accordance with Taxation Announcement No. 11 of 2022. See note 7A to the Accountants’ Report in Appendix I to this Document. Given the non-recurring nature of the additional VAT input deduction, we cannot assure you that we will enjoy similar preferential tax treatment in the future.

Our Single Largest Shareholders Group’s failures to comply with the terms of guarantees for our borrowings could have a material adverse impact on our business and results of operations.

As of the Latest Practicable Date, we had outstanding borrowings under loans and finance leasing arrangements for which Dr. Ji and Mr. Zhang provided joint responsibility guarantee. The guarantees of such loans and finance leasing arrangements are expected to exist upon or after the [REDACTED], but in the event that there is any discharge or replacement of such guarantee, we would need to spend a considerable amount of time, effort and costs to renegotiate, while the terms of new agreements may not be more favorable compared to those of the existing loans and finance leasing arrangements. See “Relationship with our Single Largest Shareholders Group.” As of Latest Practicable Date, we had obtained letters from independent third-party commercial banks who confirmed that they were willing to provide our Group with loans in the amount of RMB1.98 billion in aggregate, without any assistance, guarantee or security from our Single Largest Shareholders Group, subject to regulatory requirements, negotiation of the detailed terms and the customary credit policies of such banks. Having considered our financial condition and business development, we believe that we can obtain such loans on comparable terms as the existing loans obtained by us. However, these are still subject to final approval of the relevant banks. If we fail to obtain loans without guarantees from our Single Largest Shareholders Group, our liquidity and business may be materially adversely affected. Additionally, if our founders fail to comply with the terms of the guarantees, our lenders may accelerate the payment schedule of our bank borrowings, which could have a material adverse effect on our liquidity and business.

RISK FACTORS

We may not be able to effectively control devices under service.

We offer subscription packs to our customers under our pay-as-you-go office IT integrated solutions. Under our pay-as-you-go office IT integrated solutions, device usage is a part of our customers’ subscription pack and the majority of our devices under subscription are moveable properties. Our devices under service may be detained, damaged or lost by our customers, intentionally or unintentionally, that we may not be able to recover our devices from them at the end of service terms. Also, third parties, such as creditors of our customers, may also detain such devices when they have disputes with our customers. Historically, we were also unable to recover certain devices from customers due to instances of frauds committed by such customers. As of December 31, 2022, we owned devices with a total carrying amount of RMB1.5 billion, and we also obtained the right of use of some devices from third parties, with a carrying amount of RMB0.5 billion. Most of these devices were being used by our customers under their subscription packs. If we are unable to reclaim actual control or possession of the devices under service, we may be forced to write off such assets on our balance sheet and recognize losses. For the years ended December 31, 2020, 2021 and 2022, we recorded loss on written-off of rental computer devices of RMB12.6 million, RMB6.8 million and RMB22.8 million, respectively. 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. Even if we are able to recover the devices eventually, we might have to undergo extensive and time-consuming negotiations with our customers or such third parties, or even complex litigation processes, to recover our assets, the results of which may be unpredictable and subject to external factors beyond our control.

We have implemented various risk control measures to ensure our asset security. See “Business – Risk Management and Internal Control – Risk Management – Asset Security Risk Management”. However, we cannot assure you that these measures will remain effective all the time. If we fail to manage the asset security risk linked to our devices under service by our customers, our business operations, results of operations and financial condition could be materially and adversely affected.

Our customers may terminate the subscription early.

We are subject to the risk of early termination of service packages under the pay-as-you-go subscription method. According to the terms and conditions of service contracts, our customers might terminate the contracts at will, and we generally do not require a notice period. See “Business – Our Business – Pay-as-you-go Subscription” for details. We cannot assure that our customers will not terminate the subscription prior to the end of the subscription term during the course of the service period. A significant number of early termination could harm our business operations, financial results and profitability.

RISK FACTORS

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.

The enterprise office IT service industry in the PRC is still at an early stage. New market players may enter into this industry, making the industry increasingly competitive, and there is no guarantee that we will be able to sustain our competitive advantage or to effectively implement our business strategies. Further, the usage-based office IT market in which we operate is also at an early stage of development. According to Frost & Sullivan, in 2021, the market size of the usage-based segment accounted for only 4.5% of China’s enterprise office IT service market in terms of revenue. In aggregate, the top five market players accounted for a market share of 25.4% in the usage-based office IT industry in China in 2021 in terms of revenue. See “Industry Overview – Competitive Landscape.” We face potential competition primarily from enterprise office IT service providers. Our competitors, upstream suppliers such as PC brands and distributors, or finance leasing companies, who can already provide IT hardware to customers might start to offer similar services. If the competition becomes intensifying, it may result in certain developments in our industry, such as downward competitive pressure on the service fees we charge, expansion by existing competitors, adoption by our competitors of innovative technology solutions or comparatively effective branding efforts, any of which may have a material adverse impact on our financial condition, results of operations and growth prospects. Increased investments made and lower prices or innovative services offered by our competitors may require us to divert significant managerial, financial and human resources in order to remain competitive, and ultimately may place a greater pressure on us to maintain our market share and negatively impact the revenues growth and profitability of our business.

Furthermore, since the enterprise office IT service industry is still developing, our business may be subject to rapid changes in the industry, such as the introduction of new business models, and the entry of new and well-funded competitors or industry disruptors. Change in customer preferences or new IT service format could render our business model, products or services that we are developing, or expect to develop in the future, less attractive, thereby limiting our ability to compete effectively with other market players, to recover related product development costs, outsourcing costs and licensing costs, which could further result in a decline in our revenue and market share. We may face more intensified competition as a result of certain alliances, acquisitions or consolidations within the industries where we operate that result in the emergence of stronger competitors. Existing and new competitors may leverage their established platforms or market positions, or introduce innovative business models, to launch products or services that may attract a large customer base and achieve rapid growth, which may materially and adversely affect our business and results of operations. If we are not able to compete effectively, the number of our customers and partners may decrease and our market share and profitability may be negatively affected, which could materially and adversely affect our business, financial condition, results of operations and prospects, as well as our reputation and brand.

RISK FACTORS

Our failures to continue to innovate or effectively respond to the rapidly evolving needs of our customers, could have a material adverse impact on our business, financial condition, results of operations and prospects.

Innovation for customer experience is part of our long-term growth strategy and is key to our ability to improve and diversify our solution offerings to meet evolving customer needs. As the advancement of sophistications of our customers in their internal operations, their needs in regard to office IT integrated solutions may evolve and they may require more comprehensive subscription services or different asset portfolio. If we fail to innovate and adapt to the evolving demands and preferences of our customers, our market position could be damaged, which in turn would materially and adversely affect our business, financial condition, results of operations and prospects.

Sustained innovation requires us to invest significant resources in identifying unmet or underserved customer needs, in researching and developing new formats of pay-as-you-go office IT integrated solutions, and in attracting a sufficient number of talented employees, among other things, in order to keep pace with industry advances and in order to make our platform and services competitive. However, prospects of research and development activities are inherently uncertain, and we might encounter practical difficulties in commercializing our research and development results. The efforts that we continue to devote to research and development may not generate corresponding benefits as anticipated in the near term, or at all, in which case our business, results of operations, financial condition and prospects may be materially and adversely affected. For the years ended December 31, 2020, 2021 and 2022, we incurred research and development expenses of RMB57.9 million, RMB62.1 million and RMB84.0 million, respectively.

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 device suppliers could have a material adverse impact on our operations, business and results of operations.

We purchase our devices from a few suppliers available in the market, which primarily include electronic devices and components manufacturers and distributors. For the years ended December 31, 2020, 2021 and 2022, our purchases from our five largest suppliers in terms of transaction amounts represented 58.6%, 78.5% and 72.9%, respectively, of our total purchases, and purchases from our largest supplier accounted for 32.4%, 32.9% and 28.2% of our total purchases in the respective periods. We are dependent on the continued supply of devices and parts from these suppliers to maintain and expand our business.

There is no assurance that we can continue and maintain our relationship with our major suppliers. Deterioration or termination of any such relationships could have a significant adverse effect on our business, financial condition and results of operations if we were unable to obtain adequate devices from other sources in a timely manner, on favorable terms, or at all.

RISK FACTORS

In the event that our relationship with major device suppliers deteriorates, or the supply agreement is terminated, we may face the following risks that may have a significant adverse effect on our operations, business and results of operations:

- There may be material interruptions to our operations and business before we can secure device supplies from other suppliers for the large quantity of devices that we may need. It may also take time for us to negotiate for the required purchases with the other suppliers.
- There may also be material interruptions to our operations and business if our suppliers announce major product recalls.
- Even if we are able to purchase devices from other suppliers, they may not supply devices to us on the similar or favorable commercial terms that our major suppliers currently offer, or at all.
- Further, we may not be able to procure devices from other suppliers on an as-needed basis as efficiently as we currently do from our major suppliers. For the years ended December 31, 2020, 2021 and 2022, the gross profit margin of our income from pay-as-you-go office IT integrated solutions was 48.5%, 54.1% and 55.0%, respectively. We believe the gross profit margin was relatively high, partly because we only purchased devices from suppliers on an as-needed basis and did not carry many idle devices. If we are unable to purchase devices from other suppliers as efficiently on an as-needed basis, as we currently do from our major suppliers, we may end up over purchasing, which will mean carrying more idle devices that we will not be able to then pass on to our customers, which will have a material adverse effect on our gross profit margin and our results of operations in general.
- Other suppliers may not commit to ensure that there will be sufficient supply of devices to us. This may affect the number and type of devices available to our customers, which may adversely impact on our strength of having a wide range of devices which can be timely provided to our customers to fulfill their varying needs for devices.

Any delivery delay, improper handling of devices or increase in transportation costs of our logistic service providers could adversely affect our business and results of operations.

We engage logistics service providers to deliver devices to our customers. Interruptions or failures in these third parties' delivery services could jeopardize the timely or successful delivery of our devices, which could in turn result in the loss of customers. Our devices may be lost or damaged during transportation. The logistics services provided by third parties may be suspended or cancelled due to unforeseen events, which could cause interruption to the sales or delivery of our devices. In addition, delivery delays may occur for various reasons beyond our control, including inclement weather, natural disasters, virus outbreaks (such as

RISK FACTORS

COVID-19), transportation disruptions or labor disputes. If our appointed third parties are unable to perform the logistics services as expected and we are unable to find alternative logistics providers in a timely manner, customers may have unsatisfied experience and our business and reputation can be materially and adversely affected. The storage and transportation costs of our logistics service providers are subject to factors beyond our control, such as the fluctuation in gasoline prices, increase in road tolls and bridge tolls, and changes in transportation regulations. Any increase in the service costs of our logistics service providers may lead to an increase to our logistic expenses, which may in turn negatively affect our results of operations.

Our IT systems play a critical role in our business operations. Failures to maintain the proper functioning of our IT systems could have a material adverse impact on our business operations.

Our business operation is dependent on the ability of our self-developed IT systems, especially our office IT service system and financial reporting system, to process and store large numbers of transactions and information in an accurate, stable and efficient manner. Such IT systems cover all aspects of our business operation, including asset management, management of our remanufacturing process, financial control, risk management, accounting and customer services. The proper functioning of such IT systems is critical to maintaining our business operation and enhance our competitiveness. See “Business – Our Technology and Infrastructure.” However, our business operation may be disrupted if any respect of our IT systems partially or completely fail due to, among other things, fire, natural disasters, power loss, software faults, conversion errors due to system upgrades, or security breaches. We may not be able to develop and update our IT systems to timely respond to changes and development in the market and for the needs of our customers, which might adversely affect our results of operations and reputation.

Since we incur significant upfront expenses for device procurement, our financial condition and results of operations may be materially and adversely affected if we are unable to generate sufficient cash flows from our operations or obtain additional financing to fund these procurements.

Maintaining our competitiveness and implementing our growth strategies both require us to procure and replenish our devices in advance. To fulfill the anticipated demand for our services, we must make significant investments in device procurement. The build-up of our devices storage in advance of actual subscriptions exposes us to significant up-front expenses. During the Track Record Period, all of our top five suppliers are computer device suppliers. For the years ended December 31, 2020, 2021 and 2022, our total purchases amounted to RMB1,131.5 million, RMB1,441.8 million and RMB618.6 million, respectively.

If market demand for our services does not increase as quickly as we anticipate, or at all, we may not be able to pay our up-front costs, and our operating results may be adversely affected as a result of underutilization of capacity, which will adversely affect our revenue and results of operations. Furthermore, we may be required to raise additional funds to finance the

RISK FACTORS

procurement, which may not be available on commercially reasonable terms or at all, especially if there is a recession or other events causing volatility in the capital markets worldwide. If additional financing is not available on acceptable terms or at all, our device procurement plan might be restricted and adversely impact our results of operations and business prospects.

We do not have title to a percentage of devices covered by the finance leasing agreements during the terms of these agreements, and a failure to service these agreements could adversely impact our ability to operate the devices.

As of December 31, 2020, 2021 and 2022, the carrying amounts of leased-in rental computer devices amounted to RMB96.8 million, RMB379.5 million and RMB459.3 million, respectively representing 7.3%, 19.0% and 24.0% of the total carrying amount of our leased in rental computer devices and self-owned rental computer devices as of the same dates, respectively. During the terms of the finance leasing agreements, we do not have title to the leased-in devices. Under these agreements, we may lose access to the devices if we fail to make timely payments or breach other covenants under the agreements, which would make it difficult to maintain normal operations of our services and achieve optimal device utilization, which in turn may adversely affect our results of operations.

We face risks related to the residual value of our devices and may not be able to sell our used devices at desirable prices.

We bear all of the risks related to the residual value of our devices. When we acquire devices, we estimate the period that we will hold these devices and their residual value at the expected time of disposition. We record our depreciation expenses based on such estimates. We adjust depreciation rates of devices annually in response to the latest market conditions and their effect on residual values as well as the estimated time of disposition. Any changes in the market conditions that require us to increase the depreciation rates could have a material adverse effect on our results of operation.

There are also significant uncertainties in whether we will be able to sell our used devices at desirable prices. We sell our used devices primarily through our self-developed online business-to-business bidding platforms, Epaiji (易拍機). A variety of reasons could cause the used device market to experience considerable downward pricing pressure, which could further affect our ability to realize the residual value of our used devices. For example, a decline in new device sales prices may drive down used device sales prices or discourage potential purchasers from buying used devices, and a continued decline in the reputation of a manufacturer of devices included in our device list could reduce the residual values of such devices. Similarly, a large amount of used devices for sale from our competitors may also impose additional pricing pressure on us.

As devices constitute a significant portion of our assets, risks related to the residual value of our devices and failure to sell our used devices at desirable prices may materially and adversely affect our financial condition and business prospects.

RISK FACTORS

Our business operations have been, and may in the future continue to be, adversely affected by the COVID-19 outbreak.

Since the outbreak of the COVID-19 pandemic in December 2019, it has resulted in prolonged mandatory quarantines, lockdown, closures of businesses and facilities and travel restrictions imposed by the Chinese government and other countries around the world. The COVID-19 pandemic, as well as the restrictions imposed and actions taken by the governments, and society as a whole, in response to the COVID-19 pandemic, could present significant challenges and uncertainties. To varying degrees, our business operations have been affected by the COVID-19 outbreak. To the extent that the demand for office IT integrated solutions such as distributed workforce has increased due to on-site work restrictions, such increase may be a one-off impact which may not be sustainable. On the other hand, in the long run, the potential change in corporate behavior requiring less physical attendance in office may otherwise reduce the demand for office IT devices and services. With respect to our pay-as-you-go office IT integrated solutions, due to the nationwide lockdowns across China, the businesses of many of our existing customers have been severely interrupted, which has, in turn, impacted the subscription and payment cycles and our turnover rate, causing us to suffer from delays whilst also incurring additional expenses in our sales, marketing and customer service efforts.

The PRC government gradually eased restrictive measures on business and social activities in December 2022, and re-opened the borders in January, 2023. There had been a temporary rapid progression of COVID-19 during this time. We expect that we will experience recovery of economic environment and rebound of market demands considering the increase of offline activities. However, our business operations could be disrupted if any of our employees is suspected of having these or any other epidemic disease, since it may lead to increased sick leave or temporary voluntary office closure for disinfection in consideration of workplace safety and wellbeing.

Our patents may expire and may not be extended, our patent applications may not be granted, and our patent rights may be contested, circumvented, invalidated or limited in scope. As a result, our patent rights may not protect us effectively. In particular, we may not be able to prevent others from developing and deploying competing technologies, which could have a material adverse impact on our business, financial condition, results of operations and prospects.

In China, invention patent rights are valid for 20 years, design patent rights are valid for 15 years and utility model patent rights are valid for ten years, all of which cannot be extended.

As of the Latest Practicable Date, we had registered 14 patents and 17 pending patent applications in China. We cannot assure you that pending applications will be granted patents. Even if our patent applications succeed, it remains uncertain whether such patents will be contested, circumvented or invalidated in the future. In addition, the rights granted under any issued patents may not provide us with sufficient protection or competitive advantages. The claims under any patents that are issued may not be broad enough to prevent others from

RISK FACTORS

developing technologies that are similar to, or achieve results similar to, ours. It is also possible that the intellectual property rights of others will bar us from licensing and exploiting any patents that would have been issued from our pending applications. Numerous foreign-issued patents and pending patent applications owned by others currently exist in the fields in which we have developed, and are continuing to develop, within our technology infrastructure. These patents and patent applications may have priority over our patent applications and could subject our patent applications to be invalidated. We may not be able to prevent others from developing and deploying competing technologies, which could have a material and adverse effect on our business, financial condition, results of operations and prospects. Finally, third parties may challenge the validity or enforceability of our existing or pending patents.

Our brand image is integral to our success. Failure to maintain our reputation and brand image could have a material adverse impact on our business, financial condition, results of operations and prospects.

We believe that maintaining, promoting and enhancing our reputation and brand image is critical to maintaining and expanding our business. The reputation and brand image that we have built up over the years have played a significant role in enabling us to obtain business from referrals and to attract new customers. Maintaining and enhancing our brand depends largely on our ability to continue to provide high-quality, well-designed, convenient, stable, and innovative office IT integrated solutions, which we cannot assure that we will do successfully. If we fail to maintain our reputation, or our customers no longer perceive our services to be of high quality, or if they no longer perceive us as a business partner with high credibility for any reason, our reputation and brand image could be adversely affected, which, in turn, could affect our ability to maintain existing business relationships or to capture future business opportunities. There is also no assurance that our business partners will continue to work with us or will refer new or potential customers to us. In the event that our business partners cease to work with us, stop referring new customers to us or substantially reduce their referrals to us, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Also, we believe the importance of brand recognition will increase as competition in our market grows. In addition to our ability to provide stable and useful pay-as-you-go office IT integrated solutions at competitive prices, the successful promotion of our brand will also depend on the effectiveness of our marketing efforts. We market our pay-as-you-go office IT integrated solutions through both online and offline approaches, including media releases, influencer endorsement, short video posts on prominent platforms, and offline promotional activities. We cannot assure you, however, that our sales and marketing expenses will lead to revenue increase, and even if they did, such increases in revenue might not be sufficient to offset the expenses incurred, in which case our results of operations and prospects may be materially and adversely affected.

RISK FACTORS

Our success depends on the continuing service of our key employees, including our senior management members, customer managers and other key personnel, who are highly sought after in the market. Our failures to hire, retain and motivate our key personnel, could have a material adverse impact on our business.

Our key executives have substantial experience and have made significant contributions to our business. They are critical to the success and smooth operation of our business, as their business relationships with our customers and other parties, such as device manufacturers and financial institutions, are important to us. The continuance of our success in offering convenient, flexible, high-quality, integrated pay-as-you-go office IT solutions, the capability of us to continuously pinpoint pain points that plague our customers and address customers' poignant needs are all reliant on the retention of our key personnel. For instance, our founder and chairman of the Board of Directors, Dr. Ji, and our chief operating officer Mr. Zhang, are two of our key management executives who have been responsible for our fundamental business matters, such as overall strategy planning, research and development, the advancement of our remanufacturing technology, the establishment, operation and development of the pricing and risk control systems, all of which help shape our unique business model. However, we cannot assure you that we will not lose their services due to reasons within or beyond our control. In addition, our pay-as-you-go office IT integrated solutions include ongoing office IT operations and maintenance services where we value our IT engineers' talents and efforts to provide high-quality services. We also connect and build close relationship with our customers through the talented members within both our sales team and customer success team. The loss of their services could impair our ability to operate and make it difficult to implement our business and growth strategies. Moreover, we may fail to attract suitable candidates within reasonable time to replace the senior management members who left their positions.

If we lose the services of one or more of such key personnel or other employees and do not find suitable or qualified replacements in a timely manner, we may not be able to continue provide high-quality services. Our reputation may in turn be harmed and our customers may lose confidence in us. We may not be able to find suitable or qualified replacements easily, or at all, and may incur additional expenses in the process of recruiting and training new personnel. If any such key personnel joins a competitor or forms a competing business, we may lose crucial know-how, business secrets, customers and other valuable resources. The loss of such key personnel could have a material adverse effect on our business. Growth in our business is dependent, to a large degree, on our ability to retain and attract such employees.

Our continued success also depends on our ability to attract and retain qualified personnel to manage our existing operations and future growth. Competition for well-qualified employees in all aspects of our business can be intense in the industry. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate existing employees. We may not be able to successfully attract or retain all the personnel we need with the required industry expertise. We may also need to offer higher compensation and other benefits to attract and retain key personnel and therefore cannot assure you that our compensation and benefits payments will not increase unpredictably or at a greater rate than

RISK FACTORS

our revenue. Our failure to attract and retain qualified personnel and any increase in staffing costs to retain such personnel could have a negative impact on our ability to maintain our competitive position and grow our business, and may also have a material adverse effect on our financial condition, results of operations and growth prospects.

Our operating results are subject to seasonal fluctuations.

We have experienced, and expect to continue to experience, seasonal fluctuations in our revenues and results of operations. We have historically generated lower revenue around January and February mainly due to slower and postponed spending or subscriptions by our customers as a result of holidays such as Chinese New Year. In contrast, we have historically experienced accelerated business expansion around March and July, mainly due to increasing spending or purchases by our customers for our office IT integrated solutions as a result of active employee recruitment which generates higher office IT service demands.

As a result, our revenues may vary from quarter to quarter, while our revenues and cash flows may vary within a fiscal year. While we believe that this seasonality will continue to affect our quarterly results, our rapid growth has largely masked seasonal trends to date on an annualized basis. As such, historical patterns in our business may not be a reliable indicator of our future performance, and you may not be able to predict our annual results of operations based on a quarter-to-quarter comparison of our results of operations.

Undetected programming errors or flaws or failure to maintain effective operations could harm our reputation or decrease market acceptance of our products and services, which could have a material adverse impact on our results of operations.

Our operating systems may contain programming errors that only become apparent after their release. Generally, we have been able to resolve any such flaws and errors. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any programming error which had a material impact on our operations. However, we cannot assure you that we can always detect and resolve all such programming errors effectively and timely. Undetected programming errors could adversely affect our operations, user experience and market acceptance. Any errors, bugs or vulnerabilities discovered in our code after release, or furthermore any willful misconduct of employees sabotaging our operating systems or data, could result in interruption of our operations, and damage to our reputation, loss of users, loss of revenues or liability for damages, any of which could adversely affect our business and operating results.

Some of our products and services contain open-source software/code, which may pose a particular risk to our proprietary software products and services and could have a material adverse impact on our business.

We use open-source software/codes in some of our products and services and will continue to use open-source software/codes in the future. There is a risk that open-source software licenses could be construed in a manner that imposes unanticipated conditions or

RISK FACTORS

restrictions on our ability to provide or distribute our products or services. Additionally, we may face claims from third parties claiming ownership of, or demanding release of, the open-source software or derivative works that we have developed using such software. These claims could result in litigation and could require us to make our software source codes freely available, purchase a costly license, or cease offering the implicated products or services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources, and we may not be able to complete it successfully. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any incident regarding open-source software/code. However, we cannot assure you that we will not be subject to risks regarding open-source software/code in the future.

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 cannot assure you that we can prevent third parties from infringing upon our intellectual property rights. Unauthorized use of our intellectual property, unfair competition, defamation or other violations of our rights by our users, employees and/or third parties may harm our brand and reputation, and the expenses incurred in protecting our intellectual property rights may materially and adversely affect our business. We may, from time to time, be required to institute litigation, arbitration or other proceedings to enforce our intellectual property rights, which would likely be time-consuming and expensive to resolve and would divert our management's time and attention regardless of its outcome, materially and adversely affecting our business, financial conditions and results of operations.

It is often difficult to register, maintain and enforce intellectual property rights in the PRC. Laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to lack of clear guidance on statutory interpretation. Preventing any unauthorized use of our intellectual properties is difficult and costly and the steps we take may be inadequate to prevent the misappropriation of our intellectual properties. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in protecting or enforcing our intellectual property rights may have a material and adverse effect on our business, financial condition, results of operations and prospects.

We have been and may be in the future subject to intellectual property infringement claims or other allegations by third parties, which could have a material adverse impact on our business, financial condition and prospects.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate trademarks, patents, copyrights, know-hows or other intellectual property rights held by third parties. Historically, we have been involved in

RISK FACTORS

intellectual property litigations with third parties. We may also, from time to time in the future, be subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be third-party trademarks, patents, copyrights, know-how or other intellectual property rights that are infringed upon by our solutions, services or other aspects of our business without our awareness. Holders of such intellectual property rights may seek to enforce such intellectual property rights against us in the PRC or other jurisdictions. If any third-party infringement claims are brought against us, we may be forced to divert our management's time and other resources from our business and operations to defend these claims, regardless of their merits. During the Track Record Period and up to the Latest Practicable Date, we had not experienced material incidents of infringement on our intellectual property rights or been subject to third-party claims of intellectual property rights infringement.

Additionally, the application and interpretation of the PRC laws relating to intellectual property, the procedures and the standards for granting trademarks, patents, copyrights, know-hows or other intellectual property rights in the PRC are still evolving and are uncertain, and we cannot assure you that the PRC courts or regulatory authorities would agree with our analysis. If we were found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual properties, and we may incur licensing fees or be forced to develop alternatives on our own. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We have been and may be in the future involved in disputes arising from our operations, and the resulting customer and employee complaints, regulatory actions and legal proceedings against us or our management and Directors may harm our reputation and have a material adverse impact on our business, financial condition, results of operations and prospects.

We have been involved in disputes with our employees, outsourced workers and customers, and, from time to time, we may be involved in legal and other disputes in our ordinary course of business with our customers, outsourced workers, suppliers, employees and other parties. These may concern issues relating to, among others, breach of contract, employment or labor disputes and infringement of intellectual property rights. These disputes may lead to complaints from our customers or suppliers, regulatory actions and legal proceedings. Such litigations and disputes may result in claims for economic compensation, actual damages, freezing of our assets and diversion of our management's attention, as well as legal proceedings against our Directors, officers or employees.

Given the uncertainty, complexity and scope of many of these litigation matters, their outcome generally cannot be predicted with a reasonable degree of certainty. As a result, any unfavorable final resolution of disputes, including substantial liabilities arising from lawsuit judgments, may cause us to incur additional costs and interrupt our operations; and they may also adversely affect our reputation and brand name, which, in turn, could harm our existing relationship with the stakeholders of our pay-as-you-go office IT integrated solution ecosystem

RISK FACTORS

and reduce new business opportunities. Moreover, even if we eventually prevail in these matters, we could incur significant legal fees or suffer significant reputational harm, which could have a material and adverse effect on our prospects and future growth, including our ability to attract new business partners, retain current stakeholders of our supply chain finance ecosystem, expand our relationships with governmental regulators and industry groups and recruit and retain employees and agents.

During the Track Record Period and up to the Latest Practicable Date, we had not been a party to any legal, arbitral or administrative proceedings and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us that may have a material and adverse effect on our business, financial condition, results of operations and prospects as a whole. However, we cannot assure you that we will not be a party to any regulatory action, litigation, arbitration or other disputes in the future. If such proceedings are commenced by or against us, our reputation, business, financial condition, results of operations and prospects may be materially and adversely affected, and our resources and management’s attention may be diverted from our core business operations.

In addition, Mr. Wang Jingbo, our independent non-executive Director, was named as one of the defendants in an ongoing securities class action lawsuit against Qutoutiao Inc., or Qutoutiao, originally filed on August 20, 2020 in the United States District Court for the Southern District of New York. Mr. Wang was named as one of the defendants in his capacity as its then chief financial officer and director. This class action lawsuit alleged materially false or misleading statements or omissions in offering documents in connection with Qutoutiao’s initial public offering in September 2018 and follow-on equity offering in April 2019. As of the Latest Practicable Date, no conclusive judicial decision had been made with respect to this lawsuit. See “Directors and Senior Management” for details.

In addition, where we assess and discover an imminent risk of potential loss relating to such legal or other disputes, we will make provisions for the loss in accordance with our internal provision policies. Our view on provisions may also change according to our risk assessment. We cannot guarantee that the outcome in any of the litigation in which we are involved would be favorable to us, or that our litigation provisions are adequate to cover our losses arising from legal proceedings or other disputes.

Misconduct by our directors, senior management, employees and suppliers could expose us to significant legal liability and reputational harm.

The integrity of our directors, senior management, employees and the confidence of our audience members and business customers are of critical importance to our reputation. During our daily operations, we are subject to the risks of errors and misconduct by our directors, senior management and employees, which include inappropriate conducts or speech, act of bribery, money laundering, corrupt practice, misappropriation of funds, misappropriation of customer information, unauthorized business transactions and any other misconduct prescribed by laws and regulations. If any of our directors, senior management or employees engage in illegal or suspicious activities or other misconduct, we could suffer serious harm to our

RISK FACTORS

reputation, financial condition, customer relationships and business customers, and we could even be subject to regulatory sanctions and significant legal liability. Misconduct by our directors, senior management, employees, or even unsubstantiated allegations of misconduct, could result in a material adverse effect on our reputation and our business.

Our risk management systems and internal control procedures are designated to monitor our operations and overall compliance. However, we cannot assure you that we will be able to identify non-compliance or suspicious transactions in a timely manner or at all. Furthermore, it is difficult to prevent, detect or deter all instances of fraud or other misconduct, and the precautions we take to prevent and detect such activities may not be effective, and hence, there exists the risk that fraud or other misconduct may have previously occurred but was undetected, or may occur in the future. This could subject us to financial losses, harm our reputation and may have a material adverse effect on our business and results of operations.

We may be subject to natural disasters, acts of war or terrorism or other factors beyond our control.

Any future occurrence of force majeure events, acts of war, terrorism, natural disasters or outbreaks of epidemics and contagious diseases, including, among others, avian influenza, severe acute respiratory syndrome, H1N1 influenza and Ebola virus, may materially and adversely affect our business, financial condition and results of operations. Our operations may be under the threat of floods, earthquakes, sandstorms, snowstorms, fire or drought, power, water or fuel shortages, failures, malfunction and breakdown of information management systems, unexpected maintenance or technical problems, or are susceptible to potential wars or terrorist attacks. Serious natural disasters may result in loss of lives, injury, destruction of assets and disruption of our business and operations. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. An outbreak of an epidemic or contagious disease or any other adverse public health development in China, or elsewhere in the world, could result in a widespread health crisis, which may restrict the level of business activities in those affected areas, and which could, in turn, materially and adversely affect our business.

Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in the PRC may materially and adversely affect its economy and therefore our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases, or the measures taken by the PRC government or other countries in response to such contagious diseases, will not seriously disrupt our operations or those of our customers, which may materially and adversely affect our business, financial condition and results of operations. Any of these factors, as well as any other factors beyond our control, could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial conditions and results of operations.

RISK FACTORS

We have limited insurance to cover potential losses and claims arising from certain events.

Due to the nature of flexibility of our pay-as-you-go office IT integrated solutions, we do not require our customers to maintain sufficient insurance policies on the devices provided throughout the subscription terms. We have implemented various risk control measures to ensure our asset security. See “Business – Risk Management and Internal Control – Risk Management – Asset security risk management.” However, we cannot assure you that these policies will turn out to be successful all the time. Historically, we had incurred loss on written-off of rental computer devices due to fraud and device lost. Our loss on written-off of rental computer devices was RMB12.6 million, RMB6.8 million and RMB22.8 million, for the years ended December 31, 2020, 2021 and 2022, respectively. If the devices under service is damaged or lost due to fraud, or theft, force majeure or no fault of parties, which results in termination of the relevant subscription agreement, we may be forced to assume losses to the extent that our insurance coverage is inadequate. See also “– Risks relating to our Business and Industry – We may not be able to effectively control devices under service.” Any uninsured loss could materially and adversely affect our results of operations and financial condition.

We also maintain standard insurance for our employees, including life and medical insurance. Our insurance coverage is provided by reputable companies in accordance with commercially reasonable standards. Consistent with the industry practice in the PRC, we have limited insurance covering potential liabilities, and do not maintain any business interruption insurance or product liability insurance. There is no assurance that the insurance policies that we maintain are sufficient to prevent us from incurring any loss or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies or the compensated amount is significantly less than our actual loss, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Failure to fulfil our obligations in respect of contract liabilities could materially and adversely affect our results of operation, liquidity and financial position.

Our contract liabilities mainly arise from our customers’ upfront payment for our services or sales of devices. As of December 31, 2020, 2021 and 2022, our contract liabilities amounted to RMB4.1 million, RMB7.7 million and RMB12.4 million, respectively. See “Financial Information – Description of Certain Items in the Consolidated Statements of Financial Position – Contract Liabilities.” If we fail to fulfill our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the upfront payments we have received, which may adversely affect our cash flow and liquidity condition and our ability to meet our working capital requirements and in turn, our results of operation and financial condition. In addition, if we fail to fulfill our obligations under our contracts with customers, it may also adversely affect our relationship with such customers, which may in turn affect our reputation and results of operation in the future.

RISK FACTORS

We have granted, and may continue to grant, share incentives, which may result in increased share-based compensation expenses that potentially dilute the shareholding and negatively impact our financial performance.

We adopted an employee share option plan in 2016 to provide additional incentives to our employees. For the years ended December 31, 2020, 2021 and 2022, we incurred share-based compensation expenses of RMB62.5 million, RMB7.7 million and RMB16.5 million, respectively. We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based compensation to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may potentially dilute the shareholding and have an adverse effect on our financial performance.

Impairment losses charged against our rental computer devices could adversely affect us.

From time to time, we may need to provide impairment losses for our rental computer device and prepayments and other receivables. Rental computer devices are depreciated over the estimated useful life on a straight-line basis. For brand-new computer devices, the estimated useful life is generally seven years, for used computer devices the estimated useful life is three years. We also estimate the residual value of the rental computer devices at the expected time of disposal. We make use of currently available market information, and the estimated residual values for rental computer devices are based on factors including model and age. We did not have impairment losses on rental computer devices for the years ended December 31, 2020, 2021 and 2022. We plan to continuously procure or rent new devices to support our business expansion, which will result in further increase in depreciation cost, and could adversely affect our financial condition and results of operations.

We may be exposed to risks associated with our prepayments and other receivables.

A large portion of our other receivables and prepayments are rental deposits, which were required by the lessors of our finance leasing arrangements to acquire some of our leased-in computer devices. We did not make impairment losses on our prepayments. For the years ended December 31, 2020, 2021 and 2022, our other receivables and prepayments amounted to RMB99.9 million, RMB218.4 million and RMB271.7 million, respectively. We cannot guarantee that we can collect our rental and other deposits from lessors on time. If we fail to collect rental and other deposits, we may be exposed to the risk of impairment losses related to prepayments and other receivables. This could, in turn, have a material adverse effect on our business and financial condition, and we cannot assure you that we will not incur any material impairment losses in the future. Moreover, Any material adverse change in the business, results of operations or financial condition of these suppliers could expose us to the risk of impairment losses and adversely affect us.

RISK FACTORS

We may not continue to enjoy certain government grants in the future.

We currently enjoy certain government grants, which may be discontinued in the future. The government grants we recognized as other income in the years ended December 31, 2020, 2021 and 2022, amounted to RMB0.6 million, RMB0.2 million and RMB1.8 million, respectively. See note 7A to the Accountants' Report included in Appendix I to this document. We cannot assure you that we will be able to continue to receive any such fiscal support funds or refund of value-added tax, and if we are unable to do so, our business, results of operations and financial condition may be adversely affected.

We require various approvals, licenses, permits and certifications to operate our business, and any failure to obtain or renew any of these approvals, licenses, permits or certifications could have a material adverse impact on our business and results of operations.

In accordance with the laws and regulations in the jurisdictions in which we operate, we are required to maintain various approvals, licenses, permits and certifications in order to operate our business. Complying with such laws and regulations may require substantial expense and may impose a significant burden, while any non-compliance may expose us to liability. We have designed and adopted strict internal procedures to ensure compliance of our business operations with all relevant laws and regulations, and to ensure that we obtain necessary approvals, licenses, permits and certifications for our business operations. However, we cannot guarantee that we will be able to obtain all requisite approvals, licenses, permits and certifications. Regulatory authorities who have extensive authority to supervise and regulate the industry we operate in may not interpret relevant laws and regulations the way we do. In addition, as the regulatory regime for enterprise office IT service industry in China continues to evolve, new laws, regulations and regulatory requirements are promulgated and implemented from time to time, and the interpretation and application of existing laws, regulations and regulatory requirements are subject to changes.

We may be required to obtain approvals, licenses, permits and certifications that we are not currently required to have for our existing business or for new scope of business that we may expand into in the future. In the future, if we fail to obtain all the necessary approvals, licenses, permits and certifications required by relevant laws and regulations or if we are deemed to have conducted business operations requesting certain approvals, licenses, permits and certifications without having one, we may be subject to fines or the suspension of operations of the relevant business segments or facilities that do not have all the requisite approvals, licenses, permits and certifications, which could materially and adversely affect our business and results of operations.

Furthermore, in the event that we are required to renew our existing licenses or permits or acquire new ones, whether as a result of the promulgation of new laws and regulations or otherwise, we cannot assure you that we will be able to meet the requisite conditions and requirements, or that the relevant government authorities will always, if ever, exercise their discretion in our favor. There may also be delays on the part of government authorities in

RISK FACTORS

reviewing our applications and granting approvals, whether due to the lack of human resources or the imposition of new rules, regulations, government policies or their implementation, interpretation and enforcement. If we are unable to obtain, or experience material delays in obtaining, necessary government approvals, our operations may be substantially disrupted, which could materially and adversely affect our business, financial condition and results of operations.

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.

As of the Latest Practicable Date, with respect to two out of 16 of our leased properties in the PRC, the lessor has not provided valid title certificates or relevant authorization documents evidencing their rights to lease the properties. For details, see "Business – Properties." As a result, we cannot assure you that we will not be subject to any challenges, lawsuits or other actions taken against us with respect to the properties leased by us for which the relevant lessors do not hold valid title certificates. If any of such properties were successfully challenged, we may be forced to relocate our operations on the affected properties and may be forced to cease these activities in the event we face challenges in relation to our properties. In addition, one of our leased properties was subject to mortgage when we entered our lease agreement while another three of our leased properties 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. If the ownership of such properties changes as a result of the foreclosure of the mortgage, we may not be able to enforce our rights to the leased properties under the respective lease agreements against the mortgagee. If we fail to find suitable replacement properties on terms acceptable to us for the affected operations, or if we are subject to any material liability resulting from third-party challenges for our lease of properties for which we or our lessors do not hold valid titles, our business, financial condition and results of operations may be materially and adversely affected.

In addition, under the relevant PRC law, all lease agreements are required to be registered with the relevant land and real estate administration bureaus. However, as of the Latest Practicable Date, the lease agreements with respect to 15 of our leased properties had not been registered and filed with the relevant land and real estate administration bureaus in the PRC because the relevant lessors failed to provide the necessary documents for us to register the leases with the local government authorities. As advised by our PRC Legal Advisor, failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements or result in us being required to vacate the leased properties. However, the relevant PRC authorities may impose a fine ranging from RMB1,000 to RMB10,000 for each of such lease agreements. See "Business – Properties."

RISK FACTORS

Our current employment practices may be adversely impacted under the Labor Contract Law.

The Labor Contract Law provides stronger protection for employees and imposes more obligations on employers compared to previous labor laws. According to the Labor Contract Law, employers have the obligation to enter into written labor contracts with employees to specify the key terms of the employment relationship. The law also stipulates, among other things: (i) that all written labor contracts shall contain certain requisite terms; (ii) that the length of trial employment periods must be in proportion to the terms of the relevant labor contracts, which in any event shall be no longer than six months; (iii) that in certain circumstances, a labor contract shall be deemed to be without a fixed term and thus an employee can only be terminated with cause; and (iv) that there shall be certain restrictions on the circumstances under which employers may terminate labor contracts as well as the economic compensations to employees upon termination of the employee's employment. In addition, in the event we decide to significantly change or downsize our workforce, the Labor Contract Law could restrict our ability to terminate employee contracts and adversely affect our ability to make such changes to our workforce in a manner that is most favorable to our business or in a timely and cost-effective manner, which in turn may materially and adversely affect our financial condition and results of operations. We cannot assure you that our employment practices do not, or will not, violate the Labor Contract Law. If we are subject to severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our business, financial condition and results of operations may be adversely affected.

Any failure to comply with the PRC Social Insurance Law and the Regulation on the Administration of Housing Provident Funds may subject us to fines and other legal or administrative sanctions.

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) and the Administrative Regulations on the Housing Provident Fund of the PRC (住房公積金管理條例), we are required to make contributions to social insurance and housing provident funds for our employees. 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 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. During the Track Record Period, the potential 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

RISK FACTORS

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. See “Business – Employees.”

As the laws and policies related to social insurance and housing provident fund may continue to evolve, we cannot assure you that our employment policies and practices will always be regarded as fully complying with the relevant laws and regulations in China, and we may face labor disputes or government investigations. The PRC government may strengthen its measures and requirements on social insurance and housing provident fund collection, which may lead to stricter law enforcement. Compliance with stricter regulatory requirements may increase our operating expenses, especially our staff costs. We cannot guarantee that the amount of social insurance contributions we would be required to pay will not increase, nor that we would not be required to pay any shortfall or be subject to any penalties or fines, any of which may have a material and adverse effect on our business and results of operations.

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 have a material adverse impact on our reputation and deter current and potential users from using our services.

Concerns about collection, use or disclosure of personal information or other privacy-related and data security matters, even if unfounded, could damage our reputation and business operations. We are subject to governmental regulation and other legal obligations related to the protection of personal data, privacy and information security in the regions where we do business, and there has been and may continue to be a significant increase in such laws.

The PRC Cybersecurity Law (《網絡安全法》), which became effective in June 2017, created China’s first national-level data protection framework for “network operators,” which may potentially include all organizations in China that provide services over the Internet or through other types of information networks. The Measures for Cybersecurity Review (《網絡安全審查辦法》), which became effective in February 2022, includes a requirement for a “critical information infrastructure operator” or a “internet platform operator” to apply for cybersecurity review. For more details, see “Regulatory Overview – Laws and Regulations Relating to Cybersecurity.” In addition, the CAC published the Regulations on Network Data Security Management (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) on November 14, 2021, or the Draft Measures for Network Data Security, which specified that data processor who seeks to list in Hong Kong, which affects or may affect the national security, shall apply for cybersecurity review. However, the criteria for determining “affect or may affect the national security” as stipulated therein remain unclear and is still subject to further explanation and elaboration, and substantial uncertainties exist with respect to the enactment date, final content, interpretation and implementation of the Draft Measures for Network Data Security. If our proposed [REDACTED] was deemed to “affect or may affect

RISK FACTORS

national security,” we may be required to apply for cybersecurity review, but there can be no assurance that we will be able to obtain approval from the regulatory authorities in a timely manner, or at all. Any failure to obtain such approval or clearance from the regulatory authorities could materially constrain our liquidity and have a material adverse impact on our business operations and financial results.

In addition, the Personal Information Security Specification (《個人信息安全規範》), or China Specification, came into force on October 1, 2020. Although the China Specification is not a mandatory regulation, it nonetheless has a key implementing role in relation to the PRC Cybersecurity Law in respect to protecting personal information in China. On August 20, 2021, the SCNPC promulgated the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》), which took effect on November 1, 2021, integrates the scattered rules with respect to personal information rights and privacy protection. Although we may be subject to requirements on protection of personal data, privacy and information security under laws and regulations, we cannot assure you that the measures we have taken or will take in the future will be effective or fully satisfy the relevant regulatory authorities’ requirements, and any failure or perceived failure by us to comply with such laws and regulations may result in governmental investigations, fines and/or other sanctions on us.

Furthermore, the PRC Data Security Law(《中華人民共和國數據安全法》), which was promulgated by the SCNPC on June 10, 2021 and took effect in September 2021, provides for data security and privacy obligations on entities and individuals carrying out data activities. See “Regulatory Overview – Laws and Regulations Relating to Data Security and Privacy Protection.” Complying with new laws and regulations could substantially increase the costs or require us to change our business practices in a manner materially adverse to our business. Additionally, to the extent we are found by the PRC regulators to be not in compliance with these laws and requirements, we may be subject to fines, regulatory orders to suspend our operations, or other regulatory and disciplinary sanctions, and our websites may be shut down and our mobile App may be removed from App stores or we could be ordered to stop taking on new users.

We strictly protect information provided by users and, under our privacy policy, we will not provide any of our users’ personal information to any unrelated third party without our users’ prior consent. While we strive to comply with our data and privacy policies as well as all applicable data protection laws and regulations in the PRC and overseas, we may not be able to successfully protect our users’ privacy and data for reasons beyond our control. Any failure or perceived failure to do so may result in proceedings or actions against us by government entities, users or others, which could damage our reputation.

RISK FACTORS

RISKS RELATING TO DOING BUSINESS IN CHINA

Changes in the PRC economic, political and social conditions, as well as laws, regulations and policies, may have a material adverse impact on our business, financial condition, results of operations and prospects.

Substantially, all of our revenue was derived from our businesses in the PRC during the Track Record Period. Accordingly, our business, financial condition and results of operations are, to a significant degree, subject to the economic, political, social and legal conditions in the PRC. Generally, PRC government regulates the economy and related industries by imposing industrial policies and regulating the PRC's macro-economy through fiscal and monetary policies. During the past decades, PRC Government has taken various actions to promote market economy and the establishment of sound corporate governance in business entities. In addition, our financial condition, results of operations and prospects are, to a material extent, subject to political and social conditions and government policy developments in China. The PRC government also exerts significant influence over China's economic growth through strategically allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the PRC economy has experienced significant growth over the past decades, the growth rate of the Chinese economy has gradually slowed, and China has undergone the impact of COVID-19 pandemic on the Chinese economy in 2020 and 2021 and such impact may continue to be felt in many industries. It may be difficult for us to predict all the risks and uncertainties that we may encounter as a result of the current economic, political, social and regulatory development, any prolonged slowdown in the Chinese economy may reduce our clients' demand for our products and services and materially and adversely affect our business and results of operations.

The PRC legal system is evolving, and has potential uncertainties that could limit the legal protections available to us and adversely impact our business.

Our business and operations are conducted in the PRC and are governed by PRC laws and regulations. The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference but have limited weight as precedents.

As the legislation in China and the PRC legal system has continued to evolve rapidly over the past decades and the PRC government has made significant progress in promulgating laws and regulations related to economic affairs and matters, for example, such laws and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, recently-enacted laws and regulations may not sufficiently cover all aspects of economic activity in the PRC. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published court decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties. In

RISK FACTORS

particular, there exist substantial uncertainties surrounding the evolvement, interpretation and enforcement of regulatory requirements of cybersecurity, data security, privacy protection as well as anti-monopoly, and we may need to take certain corresponding measures to maintain our regulatory compliance, such as adjusting the relevant business or transactions and introducing compliance experts and talents, which may incur additional related costs and negatively impact our business. Furthermore, the legal protection available to us and our investors under these laws, rules and regulations may be limited as there are uncertainties involved in their implementation and interpretation, and it may be difficult to evaluate the outcome of administrative and court proceedings. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations.

Chinese regulations of direct investment and loans by offshore holding companies to Chinese entities may delay or limit us from using the net [REDACTED] from the [REDACTED] to make additional capital contribution or loans to our major Chinese subsidiaries.

Any capital contributions or loans that we, as an offshore entity, make to our Chinese subsidiaries, including the net [REDACTED] from the [REDACTED], are subject to Chinese regulations. For example, our loans to our Chinese subsidiaries may not exceed the difference between the total amount of investment that our Chinese subsidiaries are approved to make under relevant Chinese laws and the registered capital of our major Chinese subsidiaries, and such loans must be registered with the local branch of SAFE. In addition, our capital contributions to our major Chinese subsidiaries are subject to filing and registration with certain PRC government authorities, including MOFCOM or its local counterparts and the SAMR and the local counterpart of SAFE. We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all.

If we fail to complete such registrations or obtain such approvals, our ability to make equity contributions or provide loans to our Chinese subsidiaries or to fund their operations may be negatively affected, which may adversely affect our Chinese subsidiaries' liquidity and ability to fund their working capital and expansion projects and meet their obligations and commitments and, this may have a material adverse effect on our business, financial condition and results of operations.

RISK FACTORS

We may be classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment.

Under the EIT Law and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within the PRC is considered a resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over, and overall management of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the SAT issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise, that is incorporated offshore, is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those that are not controlled by PRC enterprises or PRC enterprise groups like us, the criteria set forth in the circular may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China, and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made, or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books, and records, company seals, and board and shareholder resolutions are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

However, the tax-resident status of an enterprise is subject to determination by the PRC tax authorities, and uncertainties remain with respect to the interpretation of the term “de facto management body”. As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply in our case. If the PRC tax authorities determine that our Company, or any of our subsidiaries outside of China, is a PRC resident enterprise for PRC enterprise income tax purposes, then our Company or such subsidiary could be subject to PRC tax at a rate of 25% on its worldwide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Moreover, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of our ordinary shares may be subject to PRC tax, and dividends we pay may be subject to PRC withholding tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains or dividends are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of our Company would be able to obtain the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

RISK FACTORS

The PRC government’s control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares, which could have a material adverse impact on our ability to conduct our business.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our net revenue in Renminbi. Under our current corporate structure, our Company in the Cayman Islands relies on dividend payments, indirectly from our PRC subsidiaries, to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE by complying with certain procedures under PRC foreign exchange regulation. However, approval from, or registration with, appropriate governmental authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies.

In light of the flood of capital outflows from China in 2016, due to the weakening of Renminbi, the PRC government has imposed more restrictive foreign exchange policies and stepped-up scrutiny of major outbound capital movements. More restrictions and a substantial vetting process are in place by SAFE to regulate cross-border transactions falling under the capital account. The PRC government may, at its discretion, further restrict access to foreign currencies in the future for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

Uncertainties and changes relating to the PRC tax system may complicate our tax planning and business decisions and could have a material adverse impact on our financial condition and our ability to enjoy preferential tax treatments.

We enjoy certain preferential tax treatment and government subsidies which are offered by relevant governmental authorities in the PRC. For example, Beijing Ediantao was accredited as a “New and High Technical Enterprise” by the Science and Technology Bureau of Beijing and relevant authorities in October 2019 for a term of three years. According to the Announcement of the State Administration of Taxation on Issues Concerning the Implementation of Preferential Income Tax Policies for High-Tech Enterprises (《國家稅務總局關於實施高新技術企業所得稅優惠政策有關問題的公告》) (Announcement of the State Administration of Taxation [2017] No. 24), New and High Technical Enterprise is subject to income tax at a tax rate of 15%. Certain subsidiaries have been approved as Small Low-profit Enterprises and are entitled to a preferential income tax rate 15% or 10% before December 31, 2022. See “Financial Information – Consolidated Statement of Profit or Loss – Income Tax Expenses – PRC.”

RISK FACTORS

It is in the sole discretion of the government, subject to applicable PRC laws and regulations, to decide whether and when to provide government subsidies or preferential tax treatment to us. There can be no assurance that we will be able to obtain similar government subsidies or preferential tax treatment on a recurring basis, or at all, in the future. Furthermore, we face uncertainty relating to the availability of government subsidies or preferential tax treatment due to potential unexpected changes in the PRC laws and regulations. If we are unable to obtain or maintain government subsidies or grants or any favorable tax treatment in the future, our business, financial condition and results of operations could be adversely affected.

Fluctuations in exchange rates may affect the value of your investment and limit our ability to utilize our cash effectively.

The exchange rate of the Renminbi against the Hong Kong dollar, U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, changes resulting from the PRC government's policies, and depends, to a large extent, on domestic and international economic and political developments, as well as supply and demand in the local market. In July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. Between May 2007 and March 2014, the PRC government further widened the daily band to as high as 2% in order to further improve the managed floating Renminbi exchange rate regime based on market supply and demand. In addition, the PBOC has introduced a series of measures to facilitate the reform of the Renminbi exchange rate regime, including the introduction of financial derivative products such as currency swaps, and the relaxation on Renminbi trading by non-financial institutions. The PRC government has since made, and in the future may make, adjustments to the exchange rate system. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a further and more significant appreciation of Renminbi against the Hong Kong dollar, the U.S. dollar or other foreign currencies. Accordingly, it is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates, and to achieve policy goals. We are subject to the risk of volatility in future exchange rates and to the PRC government's controls on currency conversion. For the year ended December 31, 2020, we recorded net exchange loss of RMB33.6 million. For the years ended December 31, 2021 and 2022, we recorded a net exchange gain of RMB14.9 million and RMB6.2 million, respectively. See note 7B to the Accountants' Report in Appendix I to this Document.

The [REDACTED] from the [REDACTED] will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the Hong Kong dollar may result in a decrease in the value of our [REDACTED] from the [REDACTED]. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in a foreign currency. In addition, there are limited instruments available for us to

RISK FACTORS

reduce our foreign currency risk exposure at reasonable costs. Moreover, we are also currently required to obtain the SAFE's approval before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our business, financial condition, and results of operations and prospects, and could reduce the value of, and dividends payable on, the Shares in foreign currency terms.

Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants, or us, to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year and participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or who reside in China for a continuous period of not less than one year and who have been granted options will be subject to these regulations when our company becomes an overseas-listed company upon the completion of the [REDACTED]. Failure to complete SAFE registrations may subject them to fines, and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors, executive officers and employees under PRC law.

The SAT has issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in the PRC will be subject to PRC individual income tax upon exercise of the share options or grant of the restricted shares. Our PRC subsidiaries have obligations to file documents with respect to the granted share options or restricted shares with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options or grant of the restricted shares. If our employees fail to pay, or we fail to withhold, their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent governmental authorities.

RISK FACTORS

Any requirement to obtain approval from the MOFCOM or the CSRC could delay the [REDACTED], and any failure to obtain such approval, if required, could materially and adversely affect our business, operating results, and reputation, as well as the trading price of our Shares.

According to the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”) jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council (國有資產監督管理委員會), the SAT, the CSRC, SAIC, and the SAFE on August 8, 2006, effective on September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it: (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes for the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise to purchase the assets of a domestic enterprise and operate those assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. Where a domestic company or enterprise, or a domestic natural person, through an offshore entity established or controlled by it or him, acquires a domestic company which is related to or connected with it or him, approval from MOFCOM is required. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of, or equity in, the PRC companies in exchange for the shares of offshore companies. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

Further, as advised by our PRC Legal Advisor, both Huaqing Edian and Beijing Ediantao were sino-foreign joint venture at the time of the acquisition of their 100% equity interest by Edianzu HK, thus, the aforementioned acquisitions were not subject to the M&A Rules. However, our PRC Legal Advisor further advises that there is uncertainty as to how the M&A Rules will be interpreted or implemented.

The approval of, or filing with, the CSRC or other regulatory authorities may be required in connection with the [REDACTED] and future offering activities, and, if required, we cannot predict whether we will be able to obtain such approval or complete such filing.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the “Overseas Listing Trial Measures”) and relevant five guidelines, which will become effective on March 31, 2023. According to the Overseas Listing Trial Measures, PRC domestic enterprises that seek to offer and list securities in overseas markets, either in direct or indirect means (the “Overseas Offering and Listing”), are required

RISK FACTORS

to fulfill the filing procedure with the CSRC and submit filing reports, legal opinions, and other relevant documents. Specifically, following the principle of substance over form, if an issuer meets both of the following criteria, its overseas offering and listing will be deemed as indirect Overseas Offering and Listing by a PRC domestic enterprise: (i) 50% or more of any of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer’s business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China. The Overseas Listing Trial Measures also requires subsequent reports to be submitted to the CSRC on material events (the “**Material Events**”), such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings. For more details, please refer to “Regulatory Overview – Laws and Regulations Relating to Overseas Offering and Listing”.

According to the Notice on Arrangements for Record Filing Administration of Overseas Offering and Listing of Domestic Enterprises (《關於境內企業境外發行上市備案管理安排的通知》) and the relevant replies to questions by the CSRC officials which are both promulgated with the Overseas Listing Trial Measures simultaneously, (i) where, before March 31, 2023 (i.e. the effective date of the Overseas Listing Trial Measures), the PRC domestic enterprise’s application for its indirect Overseas Offering and Listing has been approved by the overseas regulatory authorities or overseas stock exchanges (for example, a listing hearing has been passed by the Stock Exchange) but has not completed indirect Overseas Offering and Listing, a six-month transition period from March 31, 2023 (the “**Transition Period**”) shall be allowed: if the PRC domestic enterprise does not need to re-perform the regulatory procedures for offering and listing with the overseas regulatory authorities or overseas stock exchanges and the PRC domestic enterprise completes the Overseas Offering and Listing within the Transition Period, it can be deemed as an existing issuer and is not required to file with CSRC for this Overseas Offering and Listing; if the PRC domestic enterprise needs to re-perform the regulatory procedures for offering and listing with the overseas regulatory authorities or overseas stock exchanges (for example, a new listing hearing is required by the Stock Exchange) or fail to complete Overseas Offering and Listing within the Transition Period, they shall file with the CSRC for this Overseas Offering and Listing; (ii) the PRC domestic enterprise which has submitted a valid application for Overseas Offering and Listing but has not yet obtained the consent of the overseas regulatory authorities or the overseas stock exchange before March 31, 2023 may make a reasonable time for submitting the filing application to the CSRC and shall complete the filing prior to its Overseas Offering and Listing.

Our PRC Legal Advisor is of the view that this [REDACTED] and [REDACTED] shall be deemed as indirect [REDACTED] and [REDACTED] by PRC domestic enterprise. If there is no re-hearing required by the Stock Exchange after March 31, 2023 and this [REDACTED] and [REDACTED] can be completed within the Transition Period, we will not be required to file with the CSRC with respect to this [REDACTED] and [REDACTED]. If a re-hearing is required afterwards or we fail to complete the [REDACTED] and [REDACTED] within the Transition Period, we will make the filing with the CSRC with respect to this [REDACTED] and [REDACTED]. In any event, we will perform the reporting obligations to the CSRC in the event of occurrence of Material Events after listed as required.

RISK FACTORS

If it is determined that we are subject to any CSRC filing, other governmental authorization or requirements for this [REDACTED] and [REDACTED] and future offering activities and reporting obligations, we cannot assure you that we could complete such filing or meet such requirements in a timely manner or at all. Under such circumstance, we, and our personnel directly in charge and other personnel with direct responsibility may be warned, fined or subject to other disciplinary measures as set forth in the Overseas Listing Trial Measures.

Furthermore, given that the Overseas Listing Trial Measures were recently promulgated, there remains substantial uncertainties as to their interpretation, application, and enforcement and how they will affect our operations and our future financing.

We are subject to uncertainties associated with evolving legal and regulatory requirements that are applicable to our businesses. Our failures to comply with these requirements could have a material adverse impact on our business and prospects.

Our business operations, including, among others, the provision of pay-as-you-go office IT integrated solutions, are subject to supervision and regulation by various governmental authorities in China and in other jurisdictions where we operate. See "Regulatory Overview" for a detailed discussion of the laws and regulations applicable to our business operations. In addition, as we continue to expand our offerings, we may be subject to new and more complex regulatory requirements that we have limited knowledge of. We face challenges brought by existing and new laws, regulations and regulatory requirements, as well as significant uncertainties in the interpretation and application thereof. Legal and regulatory restrictions may delay, or possibly prevent, some of our solutions from being offered, which may have a material adverse effect on our business, financial condition and results of operations. Violation of laws and regulations may also result in severe penalties, confiscation of illegal income, revocation of licenses and, under certain circumstances, criminal prosecution.

The PRC regulatory requirements applicable to participants in China's enterprise office IT service industry have been continually evolving. New laws or regulations may be promulgated, imposing new requirements or prohibitions that render certain aspects of our business model and operations non-compliant. In particular, there might be changes in the PRC regulatory regime for enterprise office IT service industry that inhibit us from carrying out our current business. In addition, due to uncertainties and complexities of the regulatory environment, we cannot assure you that regulators will interpret laws and regulations the same way we do, or that we will always be in full compliance with applicable laws and regulations.

It may be difficult to effect service of process upon us, our Directors or any executive officers who reside in China, or to enforce any judgments obtained from non-PRC courts against them in China.

The majority of our Directors and members of our senior management reside in the PRC. Almost all of our assets and most of the assets of our Directors and the members of our senior management are located within the PRC. Therefore, it may not be possible for investors to effect service of process within the United States or elsewhere outside China upon our Directors, Supervisors and executive officers, including with respect to matters arising under the US federal securities laws or applicable state securities laws.

RISK FACTORS

China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions including Japan, the United Kingdom, the United States and many other countries. As a result, recognition and enforcement in China of a court judgment obtained in other jurisdictions may be difficult or impossible. In regard to Hong Kong, on July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (the “2006 Arrangement”), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a Chinese court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a Chinese court is expressly designated as the court having sole jurisdiction for the dispute. Consequently, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, recognition and enforcement in the PRC of the judgment of a non-PRC court in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

On January 18, 2019, the Supreme People’s Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), or the 2019 Arrangement, which seeks to establish a bilateral legal mechanism with further clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong and mainland China, based on criteria other than a written choice of court agreement. The 2006 Arrangement will be superseded upon the effectiveness of the 2019 Arrangement. Although the 2019 Arrangement has been signed, it remains unclear as to its effective date and uncertain as to the outcome and effectiveness of any action brought under the 2019 Arrangement.

We may be subject to penalties, including restriction on our ability to inject capital into our PRC subsidiaries, and on our PRC subsidiaries’ ability to distribute profits to us, if our PRC resident shareholders or beneficial owners fail to comply with relevant PRC foreign exchange regulations.

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with, and obtain approval from, local branches of the SAFE in connection with their direct or indirect offshore investment activities. The Circular on Relevant Issues Relating to Domestic Resident’s Investment and Financing and Roundtrip Investment

RISK FACTORS

through Special Purpose Vehicles, or SAFE Circular 37, was promulgated by the SAFE in July 2014, requiring PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. These regulations apply to our shareholders who are PRC residents, and may apply to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies, are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local branch of the SAFE, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as a change of PRC shareholders, the name of a company, terms of operation, an increase or decrease in capital, transfer or swap of shares, merger or division. If any PRC shareholder fails to make the required registration or to update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing its profits, and the proceeds from any reduction in capital, share transfer or liquidation to its offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas or into PRC within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into PRC and deemed to have been evasive or illegal, and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal.

We are committed to complying with, and to ensuring that our Shareholders who are subject to the regulations will comply with, the relevant SAFE rules and regulations. However, due to the inherent uncertainty in the implementation of the regulatory requirements by PRC authorities, such registration might not be always practically available in all circumstances as prescribed in those regulations. In addition, we may not always be able to compel them to comply with SAFE Circular 37 or other related regulations. We cannot assure you that the SAFE or its local branches will release explicit requirements or interpret the relevant PRC laws and regulations otherwise. Failure by any such Shareholders to comply with SAFE Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in the PRC and overseas, or our cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or make other payments to us, or affect our ownership structure, which could adversely affect our business and prospects. As of the Latest Practicable Date, all of our ultimate beneficial owners who are PRC citizens, had completed their registration under the SAFE Circular 37. However, we may not be fully informed of the identities of all our shareholders or beneficial owners who are PRC residents,

RISK FACTORS

and we cannot assure you that all of our shareholders and beneficial owners who are PRC residents will comply with our request to make, obtain or update, any applicable registrations, or comply with other requirements under SAFE Circular 37 or other related rules in a timely manner.

As there is uncertainty concerning the reconciliation of these foreign exchange regulations with other approval requirements, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant governmental authorities. We cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign currency-denominated borrowings, which may adversely affect our results of operations and financial condition. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we, or the owners of such company, as the case may be, will be able to obtain the necessary approvals, or complete the necessary filings and registrations, required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy, and could adversely affect our business and prospects.

There is uncertainty with respect to the indirect transfers of equity interests in our PRC resident enterprises through transfers made by our Shareholders or our non-PRC holding companies.

We face uncertainties regarding the reporting and consequences of private equity financing transactions, private share transfers, and share exchanges involving the transfer of shares in our Company by non-resident investors. According to the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises 《(關於非居民企業間接轉讓財產企業所得稅若干問題的公告)》, issued by the SAT on February 3, 2015 (the “Bulletin 7”), an “indirect transfer” of assets of a PRC resident enterprise, including a transfer of equity interests in a non-PRC holding company of a PRC resident enterprise, by non-PRC resident enterprises (the “Indirect Transfer”), may be re-characterized and treated as a direct transfer of PRC taxable properties, if such transaction lacks reasonable commercial purpose and was undertaken for the purpose of reducing, avoiding or deferring PRC enterprise income tax. As a result, gains derived from such Indirect Transfer may be subject to PRC enterprise income tax, and tax filing or withholding obligations may be triggered, depending on the nature of the PRC taxable properties being transferred.

According to Bulletin 7, “PRC taxable properties” include assets of a PRC establishment or place of business, real properties in the PRC, and equity investments in PRC resident enterprises, in respect of which gains from their transfer by a direct holder, being a non-PRC resident enterprise, would be subject to PRC enterprise income tax. When determining if there is a “reasonable commercial purpose” for the transaction arrangement, features to be taken into consideration include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable properties; whether the assets of the relevant offshore enterprise mainly consist of direct or indirect investment in China or if its income mainly

RISK FACTORS

derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable properties have a real commercial nature which is evidenced by their actual function and risk exposure; the duration of existence of the business model and organizational structure; the replicability of the transaction by direct transfer of PRC taxable properties; and the tax situation of such Indirect Transfer outside China and its applicable tax treaties or similar arrangements. In respect of an indirect offshore transfer of assets of a PRC establishment or place of business of a foreign enterprise, the resulting gain is to be included with the annual enterprise filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to PRC real properties or to equity investments in a PRC resident enterprise, which are not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax of 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. Where the payer fails to withhold any or sufficient tax, the transferor shall declare and pay such tax to the competent tax authority by itself within the statutory time limit. Late payment of applicable tax will subject the transferor to default interest.

Currently, Bulletin 7 does not apply to the sale of shares by investors through a public stock exchange where such shares were acquired in a transaction on a public stock exchange. The PRC tax authorities could, at their discretion, adjust any capital gains and impose tax return filing and withholding or tax payment obligations and associated penalties with respect to any internal restructuring, and our PRC subsidiary may be requested to assist in the filing. Any PRC tax imposed on a transfer of our Shares not through a public stock exchange, or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your share in our Company.

RISKS RELATING TO THE [REDACTED] AND OUR SHARES

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

Prior to the [REDACTED], there has been no public market for our Shares. The initial [REDACTED] range for our Shares was the result of negotiations among us, the [REDACTED] and the [REDACTED] and the [REDACTED], and the [REDACTED] may differ significantly from the market price for our Shares following the [REDACTED]. We have applied for the [REDACTED] of, and the permission to deal in, our Shares on the Stock Exchange. There is no assurance that the [REDACTED] will result in the development of an active, liquid public trading market for our Shares. Factors, such as variations in our revenue, earnings and cash flows or any other developments of our Company, may affect the volume and price at which our Shares will be traded.

RISK FACTORS

Our Single Largest Shareholders Group is able to exercise significant influence over us.

Following the completion of the [REDACTED] and the Share Subdivision, our Single Largest Shareholders Group will be interested in and will control voting rights of 134,875,360 Shares of our Company, which represents approximately [REDACTED]% of our issued share capital and will have the ability to exercise significant influence over us, including, among others, matters relating to determination of business strategies and investment plans and reviewing any plans related to major corporate activities, including mergers, acquisitions or investments.

The interests of the Single Largest Shareholders Group may differ from the interests of other Shareholders, and the Single Largest Shareholders Group are free to exercise their votes right according to their interests. To the extent that the interests of the Single Largest Shareholders Group conflict with the interests of other Shareholders, the interests of the other Shareholders may be disadvantaged and harmed.

Subscribers and purchasers of our Shares under the [REDACTED] will experience immediate dilution, and may experience further dilution if we issue additional Shares in the future.

The [REDACTED] of our Shares is higher than our net tangible assets value per Share immediately prior to the [REDACTED]. Therefore, subscribers and purchasers of our Shares under the [REDACTED] will experience an immediate dilution in [REDACTED] net tangible assets value per Share. In order to expand our business, we may consider offering and issuing additional Shares in the future or raise additional funds in the future to finance our business expansion, for existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then: (i) the percentage ownership of the existing Shareholders may be reduced, and they may experience subsequent dilution and reduction in their earnings per share; (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders; and/or (iii) subscribers and purchasers of our Shares may experience dilution in the net tangible assets value per Share if we issue additional Shares in the future at a price which is lower than our net tangible assets value per Share.

The trading price of the Shares may be volatile, which could result in substantial losses to you.

Factors, such as fluctuations in our revenue, earnings, cash flows, new investments, regulatory development, additions or departures of key personnel, or actions taken by competitors could cause the market price of our Shares or trading volume of our Shares to change substantially and unexpectedly. In addition, stock prices have been subject to significant volatility in recent years. Such volatility has not always been directly related to the performance of the specific companies whose shares are traded. Such volatility, as well as general economic conditions, may materially and adversely affect the prices of shares, and, as a result, investors in our Shares may incur substantial losses.

RISK FACTORS

Substantial future sales of our Shares in the public market could cause the price of our Shares to decline.

While we are not aware of any intentions of our current Shareholder(s) to dispose of substantial amounts of their Shares upon [REDACTED], we are not in a position to give any assurance that such disposal will not occur. Sales of substantial amounts of our Shares in the public market after the completion of the [REDACTED], or the perception or anticipation of such sales, could adversely affect the market price of our Shares.

The market price of the Shares when trading begins could be lower than the [REDACTED].

The [REDACTED] will be determined on the [REDACTED]. However, the Shares will not commence [REDACTED] on the Stock Exchange until they are delivered, which is expected to be a few Business Days after the expected [REDACTED]. Investors may not be able to sell or otherwise deal in the Shares during that period. As a result, holders of the Shares are subject to the risk that the price of the Shares when [REDACTED] begins could be lower than the [REDACTED] as a result of adverse market conditions or other adverse developments that may occur during that period.

We may not declare dividends on the Shares.

We cannot guarantee when and in what form dividends will be paid on our Shares following the [REDACTED]. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, such as our business and financial performance, capital and regulatory requirements and general business and operation conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

Certain facts and other statistics in this document, with respect to the markets in which we operate and the enterprise office IT service industry, are derived from various official or third-party sources and may not be accurate, stable, complete or up-to-date.

This document, particularly the section headed “Industry Overview,” contains information and statistics relating to the enterprise office IT service industry in China. Such information and statistics have been derived from third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] or any other party involved in the [REDACTED], and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You

RISK FACTORS

should, therefore, not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as or consistent with similar statistics presented elsewhere, and such information may not be complete or up to date. In any event, you should consider carefully the importance placed on such information or statistics.

Investors should read the entire document carefully before making an investment decision concerning the Shares. Also, they should not rely on information from other sources, such as press articles, media or research coverage without carefully considering the risks and the other information in this document.

There may have been, prior to the publication of this document, and there may be, subsequent to the date of this document but prior to the completion of the [REDACTED], press and media coverage regarding us and the [REDACTED], such as the profit estimate information. You should rely solely upon the information contained in this document and any formal announcements made by us in Hong Kong when making your investment decision regarding the [REDACTED]. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any estimates, views or opinions expressed by the press or other media regarding the [REDACTED] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions whether to invest in the [REDACTED]. Prospective investors in the [REDACTED] are reminded that, in deciding whether to purchase our Shares, they should rely only on the financial, operational and other information included in this document. By applying to purchase our Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document.

We have significant discretion as to how we will use the net [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them. If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the market price and trading volume of our Shares may decline. Forward-looking statements contained in this document are subject to risks and uncertainties.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

In preparation for the [REDACTED], we have sought the following waivers and exemption from strict compliance with certain provisions of the Listing Rules or the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since (i) our principal business operations are primarily located, managed, and conducted in the PRC and will continue to be based in the PRC; (ii) the Company’s head office is situated in Beijing, the PRC, and our executive Directors and senior management members are and will continue to be based in the PRC after the [REDACTED]; and (iii) the management and operation of our Group have mainly been under supervision of the executive Directors and senior management of our Company, who are principally responsible for the overall management, corporate strategy, planning, business development and control of our Company, and it is important for them to remain in close proximity to the Group’s operation located in the PRC, we consider that it would be more practical for our executive Directors and senior management of the Company to remain ordinarily resident in the PRC where the Group has substantial operations. For the above reasons, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements set out in Rule 8.12 of the Listing Rules subject to the following conditions:

- (i) **Authorized Representatives:** we have appointed Mr. Xiang Zheng (向征), our executive Director and chief financial officer and Ms. Chu Cheuk Ting (朱卓婷) (the “**Ms. Chu**”), one of our joint company secretaries, as the authorized representatives of our Company (the “**Authorized Representatives**”) for purpose of Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our principal channel of communication with the Stock Exchange and would be readily contactable by phone, facsimile and email to deal promptly with enquires from the Stock Exchange. The Authorized Representatives possess valid travel documents to visit Hong Kong and are able to renew such travel documents when they expire in order to visit Hong Kong. Our Company will provide contact details of the Authorized Representatives to the Stock Exchange and will inform the Stock Exchange as soon as practicable in respect of any changes in Authorized Representatives. Accordingly, our Authorized Representatives will be able to meet with the relevant members of the Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time. See “Directors and Senior Management” for further biographical details of our Authorized Representatives.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

- (ii) **Directors:** to facilitate communication with the Stock Exchange, we have provided our Authorized Representatives and the Stock Exchange with the contact details of each of our Directors. In the event that any Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his/her accommodation to the Authorized Representatives. To the best of our knowledge and information, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period after requested by the Stock Exchange.
- (iii) **Compliance Adviser:** our Company has, in accordance with Rule 3A.19 of the Listing Rules, appointed Somerley Capital Limited as our compliance adviser (the "**Compliance Adviser**"). The Compliance Adviser will, among other things and in addition to the Authorized Representatives, provide us with professional advice on continuing obligations under the Listing Rules and act as additional channel of communication of the Company with the Stock Exchange during the period from the [REDACTED] to the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately after the [REDACTED]. The Compliance Adviser will act as the additional and alternative channel of communication with the Stock Exchange when the Authorized Representatives are not available and its representatives will be readily available to answer enquiries from the Stock Exchange.
- (iv) **Joint Company Secretaries:** we have appointed Ms. Chu, who is a Hong Kong resident, as one of our joint company secretaries. Ms. Chu will maintain constant contact with Directors and senior management members of the Company through various means.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules and the Guidance Letter HKEX-GL108-20, a new applicant for listing on the Stock Exchange must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (i) a member of The Hong Kong Institute of Chartered Secretaries;
- (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and
- (iii) certified public accountants (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (i) length of employment with the issuer and other issuers and the roles he/she played;
- (ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (iv) professional qualifications in other jurisdictions.

We have appointed Ms. Qiao Yanan (喬雅楠) (the “**Ms. Qiao**”) and Ms. Chu as the joint company secretaries of our Company. See “Directors and Senior Management” for further biographical details of Ms. Qiao and Ms. Chu.

Ms. Qiao joined the Group in October 2020 and has served as the investor relations director and head of capital market department of our Group since then, through which she has gained a thorough understanding of the management and business operation of our Group. Ms. Qiao has been actively involved in the proposed [REDACTED] of the Company. As Ms. Qiao has substantial experience in handling capital market related affairs, investor relations management and corporate matters relating to our Group and is familiar with the Company’s business operations, the Board believes that Ms. Qiao is capable of discharging the functions of a joint company secretary and is a suitable person to perform such role. However, Ms. Qiao does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, the Company has appointed Ms. Chu, an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and the Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom who meets the qualification requirements under Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules, as one of our joint company secretaries. Ms. Chu will provide assistance to Ms. Qiao for an initial period of three years from the [REDACTED] to enable Ms. Qiao to acquire the “relevant experience” under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Accordingly, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

The waiver [was granted] for a three-year period on the condition that Ms. Chu, as a joint company secretary of our Company, will work closely with, and provide assistance to, Ms. Qiao in the discharge of her duties as a joint company secretary and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules. In addition, Ms. Qiao will endeavor to attend relevant training and familiarize herself with the Listing Rules and duties required for a company secretary of an issuer listed on the Stock Exchange in addition to satisfying the minimum requirement under Rule 3.29 of the Listing Rules.

Prior to the expiry of the three-year period, the experience of Ms. Qiao and the need for on-going assistance from Ms. Chu will be evaluated by our Company. Our Company will liaise with the Stock Exchange to enable it to assess whether, having benefited from the assistance of Ms. Chu for the preceding three years, Ms. Qiao has acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules and whether on-going assistance should be arranged so that Ms. Qiao's appointment as the company secretary of the Company continues to satisfy the requirements under Rules 3.28 and 8.17 of the Listing Rules. Our Company understands that the Stock Exchange may revoke the waiver if Ms. Chu ceases to assist and guide Ms. Qiao during the initial three-year period from the [REDACTED] or there are material breaches of the Listing Rules by our Company pursuant to Guidance Letter HKEX-GL108-20.

WAIVER AND EXEMPTION IN RELATION TO THE PRE-[REDACTED] OPTION PLAN

Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, requires the Company to disclose, among other things, details of the number, description and amount of any Shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given.

As of the Latest Practicable Date, our Company had granted options under the Pre-[REDACTED] Option Plan to a total of [478] eligible grantees, including [four] Directors, senior management and other connected persons of the Company, [four] grantees that have been granted options to subscribe for 100,000 Shares (being 1,000,000 Shares immediately following the completion of the Share Subdivision) or above and [470] other employees of our Group, to subscribe for an aggregate of [3,039,765] Shares (being [30,397,650] Shares immediately following the completion of the Share Subdivision) under the Pre-[REDACTED] Option Plan, representing [REDACTED]% of the total number of Shares in issue immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued pursuant to the Pre-[REDACTED] Option Plan) on the terms set out in "Statutory and General Information – D. Pre-[REDACTED] Option Plan" in Appendix IV.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

We have applied to the Stock Exchange and SFC, respectively for, for (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules; and (ii) a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the ground that strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons:

- (a) Given that [478] grantees are involved, strict compliance with such disclosure requirements in setting out full details of all the grantees under the Pre-[REDACTED] Option Plan in the document would be costly and unduly burdensome for our Company in light of a significant increase in cost and timing for information compilation and document preparation;
- (b) The grant and exercise in full of the options under the Pre-[REDACTED] Option Plan will not cause any material adverse impact to the financial position of our Company;
- (c) Non-compliance with the above disclosure requirements would not prevent our Company from providing its potential investors with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company; and
- (d) Material information relating to the options under the Pre-[REDACTED] Option Plan will be disclosed in the document, including the total number of Shares subject to the Pre-[REDACTED] Option Plan, the exercise price per Share, the potential dilution effect on the shareholding and impact on earnings per Share upon full exercise of the options granted under the Pre-[REDACTED] Option Plan. The Directors consider that the information that is reasonably necessary for potential investors to make an informed assessment in their investment decision making process has been included in the document.

In light of the above, our Directors are of the view that the grant of the waiver and exemption sought under this application will not prejudice the interest of the investing public.

The Stock Exchange [has agreed] to grant to our Company a waiver under the Listing Rules on condition that:

- (a) on an individual basis, full details of the options granted under the Pre-[REDACTED] Option Plan to each of the Directors, the senior management, other connected person of the Company will be disclosed in "Statutory and General Information – D. Pre-[REDACTED] Option Plan" in Appendix IV as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Grantees that have been granted options to subscribe for 100,000 Shares (being 1,000,000 Shares immediately following the completion of the Share Subdivision) or above will also be disclosed in this document;

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES
AND EXEMPTIONS FROM COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

- (b) in respect of the options granted under the Pre-[REDACTED] Option Plan to remaining grantees (being the other grantees who are not Directors, the senior management, other connected person of the Company or grantees that have been granted options to subscribe for less than 100,000 Shares (being 1,000,000 Shares immediately following the completion of the Share Subdivision), disclosure will be made, on an aggregate basis, of (1) the aggregate number of grantees and number of Shares underlying the options under the Pre-[REDACTED] Option Plan, (2) the consideration paid (if any) for the grant of the options under the Pre-[REDACTED] Option Plan and (3) the exercise period and the exercise price of the options granted under the Pre-[REDACTED] Option Plan, in "Statutory and General Information – D. Pre-[REDACTED] Option Plan" in Appendix IV;
- (c) aggregate number of Shares underlying the options granted under the Pre-[REDACTED] Option Plan and the percentage to the Company's total issued share capital represented by such number of Shares as of the Latest Practicable Date will be disclosed in "Statutory and General Information – D. Pre-[REDACTED] Option Plan" in Appendix IV;
- (d) the potential dilution effect and impact on earnings per Share upon the full exercise of the options under the Pre-[REDACTED] Option Plan will be disclosed in "Statutory and General Information – D. Pre-[REDACTED] Option Plan" in Appendix IV;
- (e) a summary of the major terms of the Pre-[REDACTED] Option Plan will be disclosed in "Statutory and General Information – D. Pre-[REDACTED] Option Plan" in Appendix IV;
- (f) the particulars of the waiver will be disclosed in this document;
- (g) a list of all the grantees (including those persons whose details have already been disclosed) containing all the particulars as required under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance will be made available for public inspection as described in "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" in Appendix V; and
- (h) the grant of certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC exempting the Company from the disclosure requirements provided in paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

The SFC [has agreed] to grant to our Company the certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on condition that:

- (a) on an individual basis, full details of the options granted under the Pre-[REDACTED] Option Plan to each of the Directors, the senior management, other connected person of the Company and grantees that have been granted options to subscribe for 100,000 Shares (being 1,000,000 Shares immediately following the completion of the Share Subdivision) or above will be disclosed in "Statutory and General Information – D. Pre-[REDACTED] Option Plan" in Appendix IV as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) in respect of the options granted under the Pre-[REDACTED] Option Plan to remaining grantees (being the other grantees who are not Directors, the senior management, other connected person of the Company or grantees that have been granted options to subscribe for 100,000 Shares (being 1,000,000 Shares immediately following the completion of the Share Subdivision) or above, disclosure will be made, on an aggregate basis, of (1) the aggregate number of grantees and number of Shares underlying the options under the Pre-[REDACTED] Option Plan, (2) the consideration paid (if any) for the grant of the options under the Pre-[REDACTED] Option Plan and (3) the exercise period and the exercise price of the options granted under the Pre-[REDACTED] Option Plan, in "Statutory and General Information – D. Pre-[REDACTED] Option Plan" in Appendix IV;
- (c) a list of all the grantees (including those persons whose details have already been disclosed in this document) who have been granted the options under the Pre-[REDACTED] Option Plan, containing all the particulars as required in paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be made available for public inspection as described in "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" in Appendix V; and
- (d) the particulars of the exemption will be disclosed in this document.

Further details of the Pre-[REDACTED] Option Plan are set out in the section headed "Appendix IV – Statutory and General Information – D. Pre-[REDACTED] Option Plan."

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Dr. Ji Pengcheng (紀鵬程)	Room 202, Building 6 Anning Huating Area 1 Haidian District Beijing PRC	Chinese
Mr. Zhang Bin (張斌)	Room 1802, Building 15 Huaqing Jiayuan Community Haidian District Beijing PRC	Chinese
Mr. Zheng Tao (鄭韜)	Room 1205, Building 945 Zhongguancun Southeast Community Haidian District Beijing PRC	Chinese
Mr. Xiang Zheng (向征)	No. 1-8, Jingfeng Garden 1 Xindian Road Chaoyang District Beijing PRC	Chinese
Independent non-executive Directors		
Mr. Hong Weili (洪偉力)	Room 201, No. 33, Lane 885 Qinzhou North Road Xuhui District Shanghai PRC	Chinese
Mr. Song Shiji (宋士吉)	Room 601, Unit 4, No. 5 Building Xueqingyuan Community Haidian District Beijing PRC	Chinese
Mr. Wang Jingbo (王靜波)	Hampton Place 18 Hoi Fan Road Tai Kok Tsui Kowloon Hong Kong	Chinese (Hong Kong)
Ms. Li Dan (李丹)	Room 2304, Unit 1, Building 19 Shuangqingyuan Haidian District Beijing PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

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

**China International Capital Corporation
Hong Kong Securities Limited**
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

[REDACTED]

Auditor and Reporting Accountants

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors
35/F, One Pacific Place
88 Queensway
Hong Kong

Legal Advisors to the Company

As to Hong Kong and U.S. laws:
Clifford Chance
27/F, Jardine House
One Connaught Place
Central
Hong Kong

As to PRC law:
Shihui Partners
42/F, Tower C, Beijing Yintai Centre
No. 2 Jianguomenwai Avenue
Chaoyang District
Beijing
PRC

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

	<p><i>As to Cayman Islands law:</i> Harney Westwood & Riegels 3501, The Centre 99 Queen's Road Central Hong Kong</p>
<p>Legal Advisors to the Sole Sponsor and the [REDACTED]</p>	<p><i>As to Hong Kong and U.S. laws:</i> Wilson Sonsini Goodrich & Rosati Suite 1509, 15/F, Jardine House 1 Connaught Place Central Hong Kong</p>
	<p><i>As to PRC law:</i> CM Law Firm 2805, Plaza 66 Tower 2 1366 West Nanjing Road Shanghai PRC</p>
<p>Industry Consultant</p>	<p>Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Suite 2504 Wheelock Square 1717 Nanjing West Road Shanghai PRC</p>
<p>Compliance Adviser</p>	<p>Somerley Capital Limited 20/F, China Building 29 Queen's Road Central Hong Kong</p>

[REDACTED]

CORPORATE INFORMATION

Registered Office	Suite #4-210, Governors Square 23 Lime Tree Bay Avenue PO Box 32311 Grand Cayman KY1-1209 Cayman Islands
Head Office and Principal Place of Business in PRC	Yidianyun Building No.41 Xixiaokou Road Haidian District Beijing PRC
Principal Place of Business in Hong Kong	31/F, Tower Two Times Square, 1 Matheson Street Causeway Bay Hong Kong
Company's Website	https://edianyun.com/
Joint Company Secretaries	Ms. Qiao Yanan (喬雅楠) Yidianyun Building No.41 Xixiaokou Road Haidian District Beijing PRC Ms. Chu Cheuk Ting (朱卓婷) 31/F, Tower Two Times Square, 1 Matheson Street Causeway Bay Hong Kong
Authorised Representatives	Mr. Xiang Zheng (向征) Yidianyun Building No.41 Xixiaokou Road Haidian District Beijing PRC Ms. Chu Cheuk Ting (朱卓婷) 31/F, Tower Two Times Square, 1 Matheson Street Causeway Bay Hong Kong

CORPORATE INFORMATION

Audit Committee

Mr. Wang Jingbo (王靜波) (*Chairman*)
Mr. Hong Weili (洪偉力)
Ms. Li Dan (李丹)

Nomination Committee

Dr. Ji Pengcheng (紀鵬程) (*Chairman*)
Mr. Wang Jingbo (王靜波)
Mr. Hong Weili (洪偉力)

Remuneration Committee

Mr. Wang Jingbo (王靜波) (*Chairman*)
Dr. Ji Pengcheng (紀鵬程)
Mr. Hong Weili (洪偉力)

Compliance Adviser

Somerley Capital Limited
20/F, China Building
29 Queen's Road Central
Hong Kong

[REDACTED]

Principal Banks

**China Merchants Bank Co., Ltd., Beijing
Tsinghua Garden Branch**
Ziguang Building
No. 1 Yard Zhongguancun East Road
Haidian District
Beijing
PRC

**China Merchants Bank Co., Ltd., Beijing
Shangdi Sub-branch**
Ground floor, Block B, No. 2 Building
No. 1 Yard Nongda South Road
Haidian District
Beijing
PRC

INDUSTRY OVERVIEW

This and other sections of this document contain information relating to the industry in which we operate. Certain information and statistics set forth in this section have been extracted from the Frost & Sullivan Report issued by Frost & Sullivan, an independent market research agency, which we commissioned, and from various official government publications and other publicly available publications. Information and statistics from official government sources have not been independently verified by us, the Sole Sponsor, the [REDACTED], [the [REDACTED], the [REDACTED], the [REDACTED]], the [REDACTED] or any of our or their respective directors, officers or representatives, and no representation is given as to their accuracy. For discussion of risks relating to our industries, see “Risk Factors – Risks Relating to Our Business and Industry.”

OVERVIEW OF CHINA’S ENTERPRISE IT SERVICE MARKET

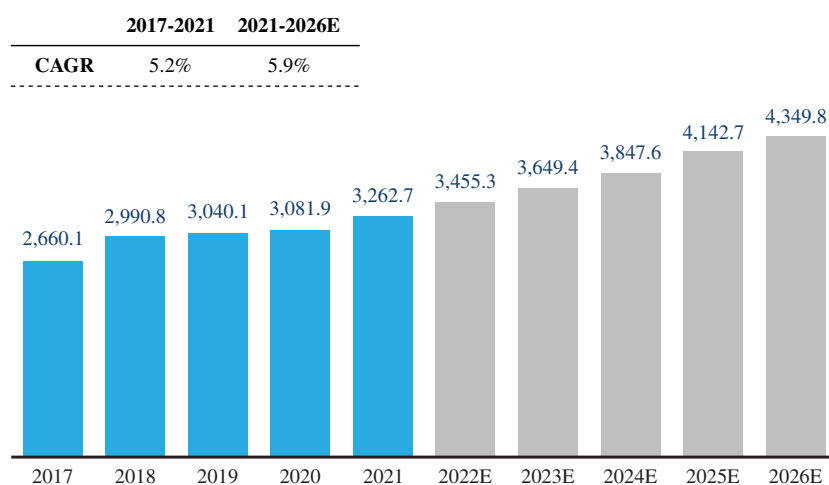
Enterprise IT services refer to the comprehensive service set which enables a company to perform its business through digitalized tools and resources, including computation hardware, network set ups, application software and related maintenance services. The enterprise IT service market in China has experienced rapid growth in recent years, driven by increasing IT spending as a result of growing number of enterprises and their increased digitalization needs.

The number of enterprises in China increased significantly from 30.3 million in 2017 to 48.8 million in 2021, representing a CAGR of 12.6%, and is expected to reach 84.0 million in 2026 at a CAGR of 11.5% from 2021 to 2026. SMEs are an important part of enterprises in China and one of the main growth engines of the national economy. In 2021, the total number of SMEs in China accounted for more than 99.8% of the total number of registered enterprises in China. With a stable economic environment and government support, SMEs in China are developing rapidly. According to Frost & Sullivan, the number of SMEs in China grew from 30.3 million in 2017 to 48.8 million in 2021 at a CAGR of 12.7%, and is expected to reach 84.0 million in 2026 at a CAGR of 11.5% from 2021 to 2026.

Driven by digital transformation, enterprises IT spending in China has grown steadily. According to Frost & Sullivan, China’s enterprise IT spending increased from RMB2,660.1 billion in 2017 to RMB3,262.7 billion in 2021, representing a CAGR of 5.2%, and is expected to reach RMB4,349.8 billion in 2026 at a CAGR of 5.9% from 2021 to 2026.

INDUSTRY OVERVIEW

China Enterprise IT Spending RMB Billion, 2017-2026E



Source: Frost & Sullivan

Enterprises’ spending on PC has long been an important part of the enterprises’ IT spending, and has remained stable over time. According to Frost & Sullivan, enterprises’ computers in active use increased steadily from 111.4 million in 2017 to 117.0 million in 2021, and is expected to reach 120.5 million in 2026.

ENTERPRISE OFFICE IT SERVICE INDUSTRY

Overview

From the perspective of IT service users and usage scenarios, enterprise IT service market can be further divided into the enterprise external IT service segment and enterprise office IT service segment. Enterprise external IT services refer to the services provided to enterprises to support the product and service delivery to the customers of the enterprises. The common external IT service providers include, among others, data center companies and cloud service companies. Enterprise office IT services refer to the services provided to enterprises’ employees fulfilling the IT demand for the purpose of carrying out business operations, including all spending related to office software and hardware. Enterprise office IT services have a huge market with steady growth. According to Frost & Sullivan, 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. The main threats and challenges facing the enterprise office IT industry in China include limited service coverage, SMEs’ cost burdens, and the potential cybersecurity risks involved:

- **Limited service coverage.** Traditional enterprise office IT service providers merely focus on basic IT services, such as hardware customization, maintenance and software installation while lacking the capability of delivering managed IT services, including software and system maintenance and data services, to address customers’ diverse office IT needs.
- **SMEs’ cost burdens.** SMEs may encounter financial difficulty with affording the cost of enterprise office IT services, including initial acquisition of equipment, operation and upgrading of system, internal maintenance, and equipment recycling.

INDUSTRY OVERVIEW

- Cybersecurity risks.** Data erasing and network security management require strong technical expertise. Compared to large PC brands that generally have established technical teams, traditional device rental companies and downstream players have much weaker research and technical support for cybersecurity risk control when recycling PCs in preparation for the next round, resulting in high risk for companies.

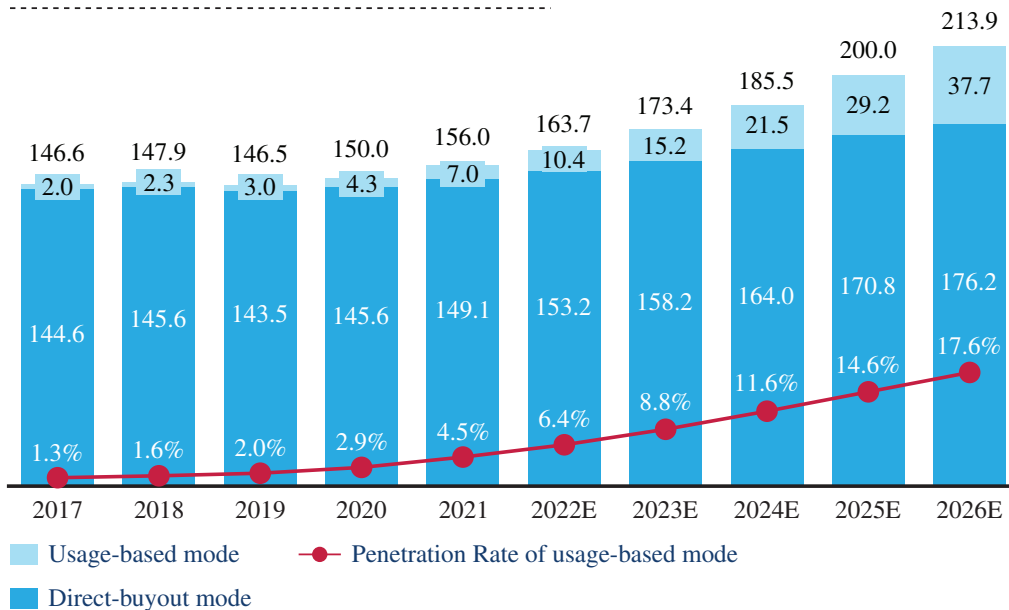
Other threats and challenges on China's enterprise office IT service segment also include the negative influence brought by COVID-19 and the rise of remote cloud-office mode. Due to the lasting impact and strict guidance of COVID-19, the social business growth might face more uncertainties, especially to SMEs as they have limited risk bearing capabilities. The slowed growth of enterprise could bring directly challenges to China's enterprise office IT service market, resulting in lower enterprise serviceable size and smaller budget. Also, as the remote work style become widely-accepted, cloud-office mode may decrease the dependency of enterprise-owned PCs to the employees. However, due to the solid regulations of internal cyber risk control, most companies would still insist on the enterprise-managed device only to realize the sound backstage supervision and monitoring.

Based on service delivery modes, the enterprise office IT service market can be further divided into the direct buyout mode and usage-based mode. Direct buyout mode usually refers to the direct purchase of IT devices and permanent software licensing from PC brands, software vendors and distributors. Usage-based mode usually 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.

Market Size of Enterprise Office IT Service Market in China

RMB Billion, 2017-2026E

CAGR	2017-2021	2021-2026E
Total	1.6%	6.5%
Usage-based mode	37.4%	40.2%
Direct-buyout mode	0.8%	3.4%



Source: Frost & Sullivan

INDUSTRY OVERVIEW

In 2021, the market size of the overall enterprise office IT service industry has reached RMB156.0 billion, representing a stable growth of 1.6% from 2016 to 2021. In 2026, the overall enterprise office IT service is expected to reach RMB213.9 billion, representing a CAGR of 6.5%. The expected greater growth is due to the greater popularity of usage-based mode welcomed by the SMEs, and greater business confidence in the post COVID-19's time.

The direct-buyout mode represents the vast majority of China's enterprise office IT service. As a result, PC brands are expected to maintain their positions as leading players in the overall enterprise office IT services market. The top five players in 2021 are Lenovo Group Limited, Dell Technologies INC., HP INC., ASUSTek Computer Inc., and Acer INC, representing at least 70% market shares in aggregate in China's overall enterprise office IT services market, according to Frost & Sullivan.

Traditionally, enterprises, especially SMEs, in China mainly obtain office IT services by adopting the direct buyout service mode, which had several long-standing pain points in the industry.

- **Limited IT operating capability:** Under the traditional office IT direct buyout mode, enterprises bear the burden of their office IT operations, which distracts them from their core business growth. With limited in-house office IT support and resources, it is challenging for SMEs to manage and maintain their office IT efficiently. In line with the digital transformation process, enterprises' needs in office IT services evolve as they often lack enough in-house technicians with sufficient expertise to handle the increasingly complicated operational and maintenance requests arising under various business scenarios in a timely manner. For example, it could be unduly burdensome for enterprises to provide their employees with 24/7 on-site or remote technical support across different locations.
- **Lack of external technical support:** Faced with the challenges brought by increasingly complex office IT infrastructure and limited IT operating capability, enterprises turn to external service providers for technical support. However, under the direct buyout mode, PC brands and distributors generally only provide limited after-sales services for sold devices, such as hardware customization, maintenance, and software installation upon customers' requests, instead of ongoing IT operation services as their business focus is to promote sales of new devices. As a result, under the direct buyout mode, the external technical support cannot fully meet the needs of enterprises for comprehensive IT services.
- **Hidden costs and inconsistent service quality:** Customers who lack professional guidance and expertise are at higher risks of incurring hidden costs and/or inconsistent service quality during the process of seeking stable office solutions. In the absence of one-stop comprehensive services that guarantee the service level, customers have to engage different service providers in each step of services, such as device procurement, IT inspections, set-up, back-up, upgrades and device recycling. This process can be lengthy and complex, resulting in increasing difficulty for SMEs with needs for budgetary control.

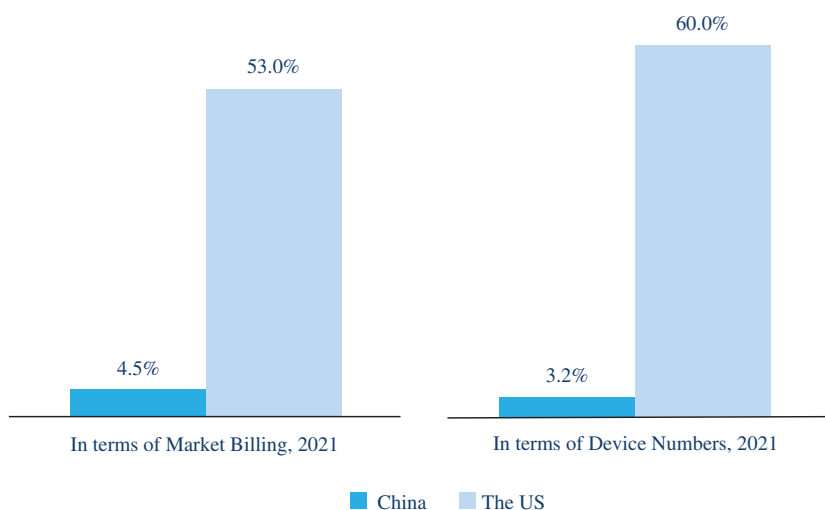
INDUSTRY OVERVIEW

- **Device redundancy:** Fast-growing SMEs typically require flexibility in office IT devices and services, as their business, scale and staffing headcount are subject to frequent adjustment. Due to the inflexibility of the traditional office IT direct buyout mode, SMEs have to purchase a certain number of additional devices to prepare for potential seasonal peak demand and serve as alternatives in case of device malfunction, which inevitably leads to a large number of devices lying idle. In addition, using the traditional office IT direct buyout mode, it is challenging for SMEs to dispose of obsolete devices and replace or upgrade used devices in a commercially favorable and efficient manner.

Since the usage-based mode has helped SMEs to address the aforementioned pain points, it has gradually become a popular solution favored by increasing numbers of enterprises, especially SMEs, in China. According to Frost & Sullivan, despite the impact of the COVID-19 pandemic, the number of SMEs in China has grown from 44 million in 2020 to 49 million in 2021. The office IT services market in China is expected to further expand, with the number of SMEs increasing to approximately 80 million in 2026, presenting even greater business opportunities. In addition, with the trend of digitalized business operation and remote working, most companies, including SMEs, are assigning computers to their staff for internal communication and external business needs. Flexible, usage-based office IT solutions, with their flexible payments and IT services covering all major stages of the use of devices, are appealing to SMEs that typically have limited business size and office IT operating capabilities.

As illustrated in the chart below, the usage-based office IT market in China is still in an early stage of development compared to that in the United States. According to Frost & Sullivan, in 2021, the market size of the usage-based segment accounted for only 4.5% of China’s enterprise office IT service market in terms of revenue, which was significantly lower than that of 53.0% in the U.S. market. In 2021, the usage-based office IT market had a penetration rate of 3.2% in terms of the number of devices, significantly lower than that of 60.0% in the U.S. market.

Market Share of Usage-based segment in Enterprise Office IT Service Market, China and the U.S.
%, 2021



Source: Frost & Sullivan

INDUSTRY OVERVIEW

The comparatively low market share and market penetration rate indicate enormous growth potential for the usage-based office IT market. According to Frost & Sullivan, the usage-based office IT market increased from RMB2.0 billion in 2017 to RMB7.0 billion in 2021, at a CAGR of 37.4%, and is expected to reach RMB37.7 billion in 2026 with a CAGR of 40.2% from 2021 to 2026. The usage-based office IT market is expected to be the fastest growing market segment of the enterprise office IT service industry, according to Frost & Sullivan.

USAGE-BASED OFFICE IT MARKET IN CHINA

Overview

Based on availability of managed IT services, the usage-based office IT market can be further divided into device rental service segment and office IT integrated solution segment.

- **Device rental service:** Enterprises make regular payments to the IT devices rental companies to acquire the right to use the devices. IT devices rental companies provide IT devices and offer basic maintenance leveraging third-party service capability.
- **Office IT integrated solution:** By subscribing to office IT integrated solutions, enterprises receive both office IT devices and managed IT services from service providers. The subscription pack usually includes (a) IT devices installed with systems and software, and (b) managed IT services including device configuration, device/engineer deployment, operation and maintenance support, performance optimization, and device management services. This type of service is enabled by service providers' comprehensive front-end technical supports under the managed IT service model empowering enterprise customers' office IT operations, remanufacturing technology extending devices' service life, and digitalized back-end operation architecture empowering service providers' overall operation. The subscription method for office IT integrated solutions was primarily offered by market players in the usage-based office IT market and has been increasingly employed commercially since 2016.

Although the device rental service has solved the problem of large fixed-asset expenses, it generally lacks the ability to fundamentally meet the needs of enterprises for productivity and efficiency of office IT operations. With the enterprise employees' expectation of internal IT support gradually shifting from the basic break/fix tasks to productivity-oriented services, employees who encounter office IT problems during daily operations often need technicians to provide efficient services within a short response time. However, according to Frost & Sullivan, traditional device rental service providers typically offer a very limited scope of services including office IT device rental and software pre-installment, as well as basic maintenance for their leased hardware devices by engaging third parties, such as PC brands

INDUSTRY OVERVIEW

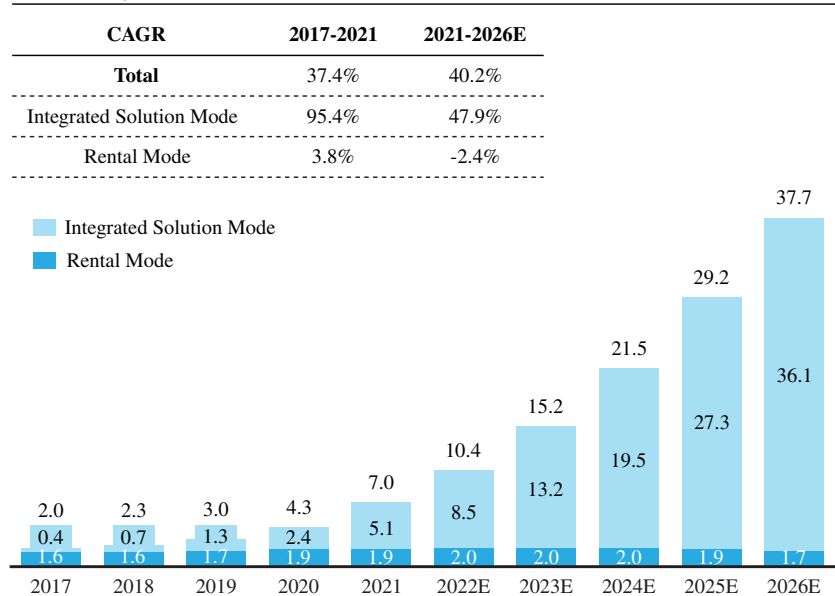
after-sales service network. Meanwhile, traditional device rental service providers are generally unable to carry out software and system maintenance services or data services for the use of IT devices, thus are facing challenges to meet enterprises’ growing needs for technical and operational support.

In contrast, the office IT integrated solution providers offer one-stop, stable and flexible office IT services related to the use of IT devices, which meet customers’ diverse needs of office IT for agility and flexibility in their business operations. In addition to the service scope of traditional device rental service providers, office IT integrated solution providers offer comprehensive managed IT services to meet the customer’s expected service level, covering both hardware and software systems. A typical service pack comprises device configuration, device/engineer deployment, operation and maintenance support, performance optimization, and device management services, addressing customers’ needs through all stages of the use of the devices. As a single point of contact for all enterprises’ IT needs, office IT integrated solution providers save enterprises the trouble of engaging with multiple office IT suppliers.

The growth of the device rental service segment is expected to grind to a near halt while the office IT integrated solution segment will serve as an important growth engine for the usage-based office IT market. 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.

The following chart illustrates the historical and expected market size of the device rental service segment and the office IT integrated solution segment as measured by revenue:

Market Size of Enterprise Office IT Service under Usage-based Model
RMB Billion, 2017-2026E



Source: Frost & Sullivan

INDUSTRY OVERVIEW

Growth Drivers of China's Office IT Integrated Solution Market

- ***The increase in the number of SMEs in China and the rising demand for digitalization drive further increase in IT spending.*** With a stable economic environment and government support, SMEs in China are developing rapidly. According to Frost & Sullivan, the number of SMEs in China grew from 30.3 million in 2017 to 48.8 million in 2021 at a CAGR of 12.7%, and is expected to reach 84.0 million in 2026 at a CAGR of 11.5% from 2021 to 2026. Under the trend of digital transformation, SMEs are looking to remain competitive and propel growth with technology. Therefore, as SMEs become more sophisticated in office IT, their demand for one-stop integrated IT services is also growing. The increase in the number of SMEs in China and their rising IT demand in the course of digital transformation drive further increase in IT spending.
- ***Demand for high-quality service offerings.*** As enterprises look to digitally transform, they have moved beyond the stage of development where they only seek to satisfy their basic needs for office IT devices, and have begun to pursue more advanced and sophisticated office IT technologies. In addition, enterprises' demands for office IT are becoming more service oriented. Enterprises favor service providers with the capability to provide one-stop solutions for their diverse office IT needs. Consequently, the pay-as-you-go office IT integrated solution has become increasingly popular among enterprises since it effectively solves the long-standing pain points created by the traditional service providers focusing on selling devices.
- ***Service providers committed to delivering outstanding customer experience through office IT integrated solutions.*** In the digital era, enterprises are more informed than ever and each stage of their engagement with a service provider affects their perception of the business and future purchases. Therefore, IT service providers attach more importance on customer experience. Office IT integrated solutions bring better customer experience and promote customer loyalty with its one-stop, stable and flexible service offerings. Companies with strong back-end operation architecture and proprietary remanufacturing capability are better positioned to deliver office IT integrated solutions, and thus have the potential to dominate the market.
- ***Sustainable growth driven by remanufacturing technology.*** Office IT integrated solution providers normally have remanufacturing capability to enhance the utilization of devices by extending their service life. With a prolonged life span, the devices last longer in the circulation process and thus can be utilized to support more customers' subscription cycles, which not only allows office IT integrated solution providers to increase profitability with lowered device depreciation costs but also reduces electronic waste and realizes carbon reduction.

INDUSTRY OVERVIEW

Entry Barriers

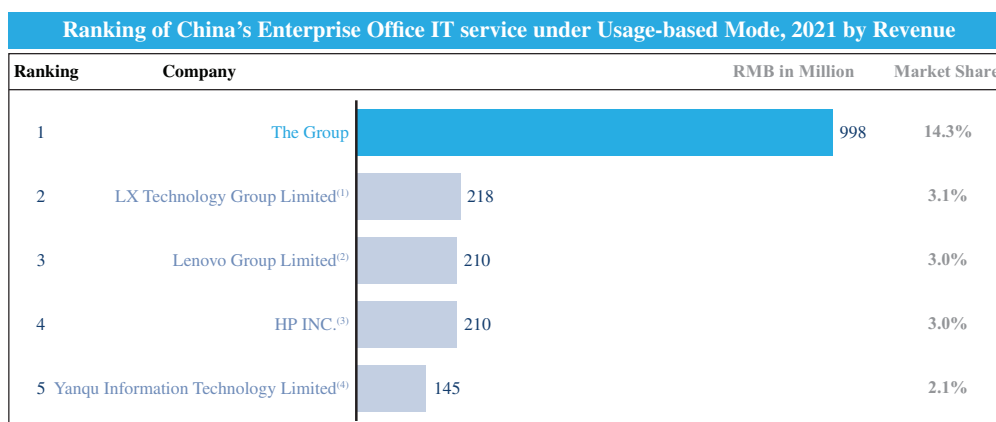
- ***The know-how accumulated through substantial industry experience.*** Because of the long and complex value chain in the office IT integrated solution industry, it is onerous and time-consuming for new entrants to accumulate know-how, identify and gain insights into the critical elements of business operations. For example, in order to develop a competitive advantage, new entrants must have high-quality customer-oriented services and back-end technical support, rich experience in large-scale device operations to improve efficiency and expertise in remanufacturing technology, such as chip-level repair capability. It is challenging for new entrants to compete with market leaders who have accumulated know-how along the whole value chain.
- ***Nationwide service capability.*** With the industry-wide shift in customer expectation from the basic break/fix tasks to employee productivity-oriented services, enterprises have an increasing requirement for office IT operation, which necessitates a large and efficient team of engineers with relevant expertise. Without an efficient internal operational architecture consisting of purpose-built systems to recruit, train, dispatch engineers and implement quality control procedures to track their service performance, it is challenging for new entrants to develop nationwide service capability to provide high-quality customer service timely and efficiently. Therefore, new entrants may have difficulties in gaining a competitive advantage in this industry as it is hard to scale service business in the short term.
- ***Strong remanufacturing capability.*** Remanufacturing capability is essential for office IT integrated solution providers to achieve profit growth and provide affordable services to enterprise customers. Strong remanufacturing capability requires expertise accumulated from years of experience in diagnosing, repairing, implementing quality control and delivering. Therefore, it is challenging for new entrants to maintain scalability, profitability and optimal service level without strong remanufacturing capability.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE

China’s Usage-based Office IT Service Industry

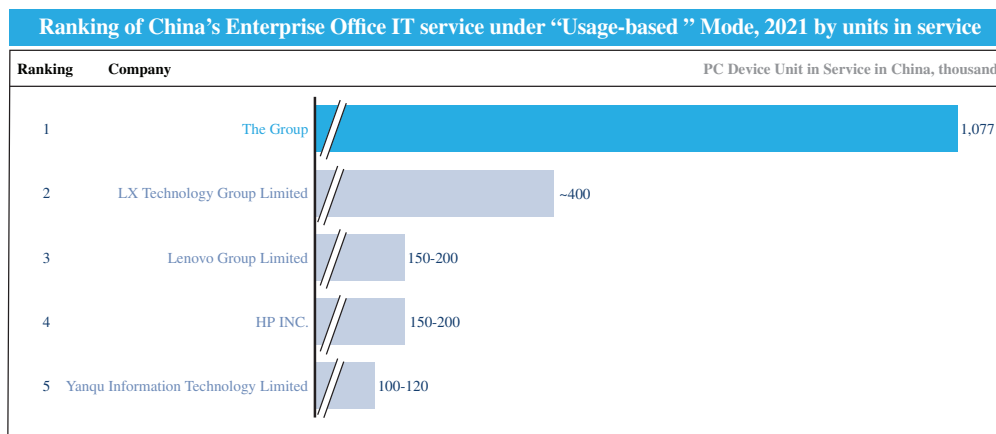
According to Frost & Sullivan, the size of the usage-based office IT service industry in China in terms of revenue in RMB7.0 billion in 2021. The top five players in the usage-based office IT service industry in China accounted for an aggregate market share of 25.4%. According to the same source, in 2021, our Group ranked first in the usage-based office IT industry in China in terms of revenue, number of devices under service, and remanufacturing capacity, respectively.



Source: Frost & Sullivan

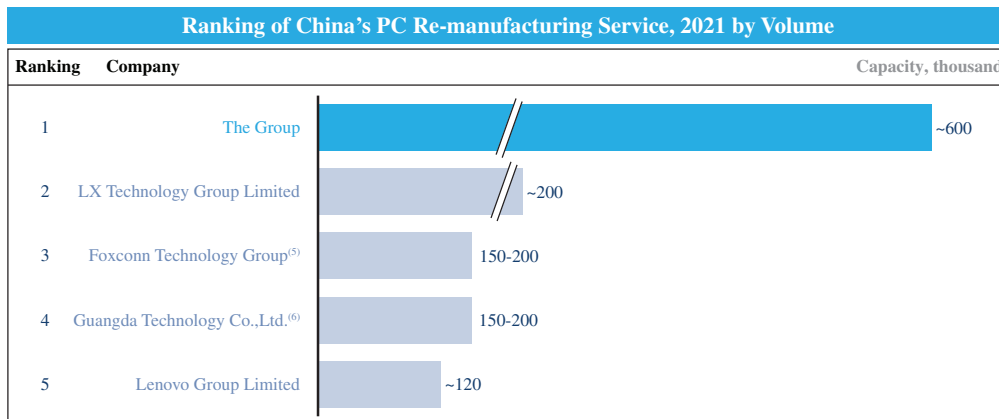
Notes:

- (1) An enterprise office IT equipment operator with solutions covering IT device rental, IT technical services and IT equipment recycling.
- (2) A global company offering smart devices, including PCs, tablets and smart wearables, listed on the Hong Kong Stock Exchange.
- (3) A global company offering PCs, imaging and printing products, and other related technologies, services and solutions, listed on the New York Stock Exchange.
- (4) An internet devices rental platform offering solutions that cover scenarios such as enterprise office IT, digital technology and home appliances.



Source: Frost & Sullivan

INDUSTRY OVERVIEW



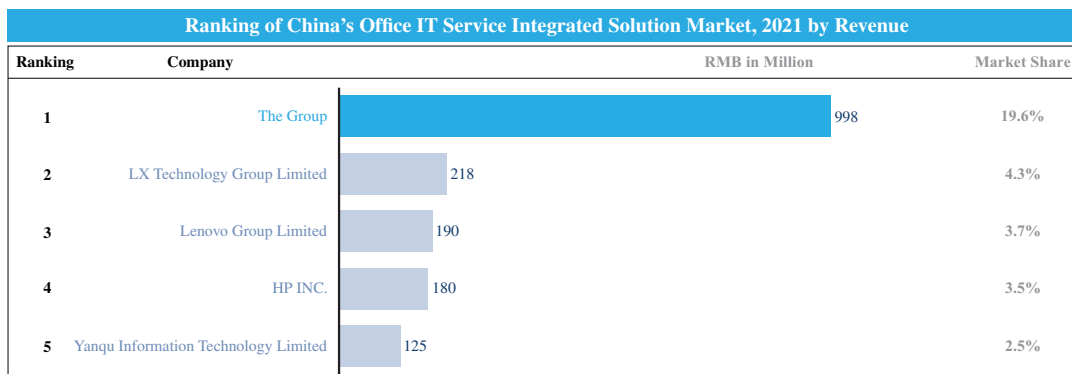
Source: Frost & Sullivan

Notes:

- (5) An electronics manufacturer and technological solution provider in fields such as PC, cloud computing, mobile devices and IoT, listed on the Hong Kong Stock Exchange.
- (6) A PC design and manufacturing provider listed on the Taiwan Stock Exchange.

China’s Office IT Integrated Solution Industry

According to Frost & Sullivan, the size of the office IT integrated solution industry in China in terms of revenue in 2021 was RMB5.1 billion. The top five players in the office IT integrated solution industry in China accounted for an aggregate market share of 33.6%. According to the same source, in 2021, our Group ranked first in the office IT integrated solution industry in China in terms of revenue.



Source: Frost & Sullivan

INDUSTRY OVERVIEW

SOURCES OF INFORMATION

In connection with the [REDACTED], we have engaged Frost & Sullivan, an independent market research consulting firm, to conduct a detailed analysis and prepare an industry report on the market in China for (i) enterprise IT service, (ii) enterprise office IT service and (iii) office IT integrated solution. Frost & Sullivan is an independent global consulting firm founded in the United States in 1961. It is principally engaged in the provision of market research consultancy services, conducting industry research, and providing market and enterprise strategies and consultancy services across various industries. We incurred a total of US\$157,800 in fees and expenses in connection with the preparation of the Frost & Sullivan Report. The payment of such amount was not contingent on our successful [REDACTED] or on the results of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the [REDACTED].

We have extracted certain information from the Frost & Sullivan Report in this section and elsewhere in this document to provide a comprehensive presentation of the markets in which we operate. We believe such information facilitates an understanding of such markets for potential investors. Our Directors confirm that, after taking reasonable care, there is no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an adverse impact on such information. For the avoidance of doubt, impacts of the COVID-19 outbreak have been taken into account when compiling information in the Frost & Sullivan Report.

During the preparation of the Frost & Sullivan Report, Frost & Sullivan performed both primary and secondary research, and obtained knowledge, statistics, information and industry insights on the industry trends of the target research markets. Primary research involved interviewing industry insiders such as leading market players, suppliers, customers and recognized third-party industry associations. Secondary research involved reviewing company reports, independent research reports, and data based on Frost & Sullivan's own research database. Frost & Sullivan has independently verified the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan's research may be affected by the accuracy of assumptions used and the choice of primary and secondary sources.

REGULATORY OVERVIEW

The PRC laws and regulations that have a significant impact on our business operations are set out below:

LAWS AND REGULATIONS RELATING TO AUCTION SEGMENT

According to the Auction Law of the People's Republic of China (《中華人民共和國拍賣法》) which was promulgated by the SCNPC on July 5, 1996 and implemented on January 1, 1997, and subsequently revised on August 28, 2004 and April 24, 2015, and the Measures for the Administration of Auctions (《拍賣管理辦法》) which was promulgated by the MOFCOM on October 2, 1994 and implemented on October 2, 1994, and subsequently revised on December 2, 2004, October 28, 2015 and November 30, 2019, no auction house shall engage in any auction business before receiving an auction business license. Commercial departments at local levels shall grant an enterprise that fulfills relevant requirements with the Approval Certificate of Auction Business. If any articles or property rights are prohibited for sale by laws or regulations, or their ownership or right of disposition is in dispute, or they are goods under the Customs control for which Customs formalities have not been completed, then the auction of such articles and property rights is prohibited. An auction house shall have the right to verify itself or require the consignor to specify in writing the sources and defects of the auction objects. Where an auction house and consignor have declared, prior to the auction sale, that they cannot guarantee the authentication or quality of an auction object, they shall be free from any warranty liability for the defects of the object. However, if the auction house or the consignor clearly knows or should have known that the auction object is defective, such disclaimer is invalid. The auction house shall exhibit the auction objects for at least two days prior to the auction sale, except for fresh goods or other perishable goods. After a transaction is concluded, the buyer and the auction house shall execute a written confirmation. The auction house shall keep the complete books of accounts, auction record and other relevant information relating to business operations for no less than five years, counting from the date of expiration of the contract for authorization of auction. The Administration of Auctions applies to our online bidding platform, Epaiji.

REGULATIONS ON INTERNET ADVERTISEMENT

The Advertisement Law of the PRC (《中華人民共和國廣告法》), which was promulgated by the SCNPC, on 27 October 1994 and last amended on 29 April 2021, requires advertisers to ensure that the content of the advertisements is true. The content of advertisements shall not contain prohibited information, including but not limited to: (i) information that harms the dignity or interests of the State or divulges the secrets of the State, (ii) information that contains wordings such as "national level", "highest level" and "best", and (iii) information that contains ethnic, racial, religious, sexual discrimination. Advertisements posted or published through the internet shall not affect normal usage of network by users. Advertisements published in the form of pop-up window on the internet shall display the close button clearly to make sure that the viewers can close the advertisement by one-click.

REGULATORY OVERVIEW

On 4 July 2016, the SAIC (since March 2018 known as the State Administration for Market Regulation) promulgated the *Internet Advertisement Management Measures* (《互聯網廣告管理暫行辦法》) which became effective on 1 September 2016. The *Internet Advertisement Management Measures* regulates any advertisement published on the internet, including but not limited to, those on websites, webpage and APPs, those in the forms of word, picture, audio and video. The Internet Advertising Management Measures specifically set out the following requirements: (a) advertisements must be identifiable and marked with the word "advertisement" enabling consumers to distinguish them from non-advertisement information; (b) sponsored search results must be clearly distinguished from natural search results; and (c) advertisements shall be published or distributed by means of the Internet without affecting the normal use of the network by users, and it is forbidden to send advertisements or advertisement links by email without the recipient's permission or induce Internet users to click on an advertisement in a deceptive manner.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Pursuant to the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) promulgated on 15 March 2019 and came into effect on 1 January 2020, and the Implementation Regulations for the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法實施條例》) promulgated by the State Council on 26 December 2019 and came into effect on 1 January 2020, the State implements a management system of national treatment before the entry of foreign investment plus a negative list. If the investment conducted by investors from Hong Kong Special Administrative Region and Macau Special Administrative Region, the Foreign Investment Law and the Implementation Regulations for the Foreign Investment Law shall apply.

On December 30, 2019, the MOFCOM and the SAMR, jointly promulgated the Measures for Information Reporting on Foreign Investment (《外商投資信息報告辦法》), which became effective on January 1, 2020. Pursuant to the Measures for Information Reporting on Foreign Investment, where a foreign investor carries out investment activities in China, the foreign investor or the foreign-invested enterprise shall submit the investment information to the competent commerce department.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY PROTECTIONS

Patents

Pursuant to the PRC Patent Law (《中華人民共和國專利法》), most recently amended in October 2020, and its implementation rules, most recently amended in January 2010, patents in China fall into three categories: invention, utility model and design. An invention patent is granted to a new technical solution proposed in respect of a product or method or an improvement of a product or method. A utility model is granted to a new technical solution that is practicable for application and proposed in respect of the shape, structure (or a combination of both) of a product. A design patent is granted to a new design of a certain product in shape,

REGULATORY OVERVIEW

pattern (or a combination of both) and in color, shape and pattern combinations aesthetically suitable for industrial application. Under the PRC Patent Law, the term of patent protection starts from the date of application. Patents relating to invention are effective for twenty years, utility models are effective for ten years and design patents are effective for fifteen years from the date of application. The PRC Patent Law adopts the principle of “first-to-file” system, which provides that where more than one person files a patent application for the same invention, a patent will be granted to the person who first files the application.

Existing patents can be invalidated due to a variety of grounds, including lack of novelty, creativity, and deficiencies in patent application. In China, a patent must have novelty, creativity and practical applicability. Under the PRC Patent Law, novelty means that before a patent application is filed, no identical invention or utility model has been publicly disclosed in any publication in China or overseas or has been publicly used or made known to the public by any other means, whether in or outside of China, nor has any other person filed with the patent authority an application that describes an identical invention or utility model and is recorded in patent application documents or patent documents published after the filing date. Creativity means that, compared with existing technology, an invention has prominent substantial features and represents notable progress, and a utility model has substantial features and represents any progress. Practical applicability means an invention or utility model can be manufactured or used and may produce positive results. Patents in China are filed with China National Intellectual Property Administration, the “CNIPA”. Normally, the CNIPA publishes an application for an invention patent after 18 months from the filing date, the period of which may be shortened at the request of applicant. The applicant must apply to the CNIPA for a substantive examination within three years from the date of application.

The PRC Patent Law provides that, for an invention or utility model completed in China, any applicant (not limited to Chinese companies and individuals), before filing a patent application outside of China, must first submit it to the CNIPA for a confidential examination. Failure to comply with this requirement will result in the denial of any Chinese patent for the relevant invention.

Compared with the previous version, the PRC Patent Law added the following aspects: (i) clarifying the incentive mechanism for inventor or designer relating to service inventions; (ii) extending the duration of design patent; (iii) establishing a new system of “open licensing” (開放許可); (iv) improving the distribution of burden of proof in patent infringement cases; (v) increasing the compensation for patent infringement; and (vi) patent term adjustment for compensating delays of the CNIPA, in the examination of patent applications.

Trademarks

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982 and latest amended on April 23, 2019 and became effective from November 1, 2019, the period of validity for a registered trademark is ten years, commencing from the date of registration. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks. The

REGULATORY OVERVIEW

registrant shall go through the formalities for renewal within twelve months prior to the expiry date of the trademark if continued use is intended. Where the registrant fails to do so, a grace period of six months may be granted. The validity period for each renewal of registration is ten years commencing from the day immediately after the expiry of the preceding period of validity for the trademark. In the absence of a renewal upon expiry, the registered trademark shall be canceled. Industrial and commercial administrative authorities have the authority to investigate any behavior in infringement of the exclusive right under a registered trademark in accordance with the law. In case of a suspected criminal offense, the case shall be timely referred to a judicial authority and decided according to the law.

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》), effective in June 1, 1991 and latest amended on November 11, 2020, copyrights include personal rights such as the right of publication and that of attribution as well as property rights such as the rights of reproduction and distribution. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law of the PRC, constitutes infringements of copyrights. The infringer must, according to the circumstances of the case, undertake to cease the infringement, take remedial action, and offer an apology or pay damages.

Pursuant to the Computer Software Copyright Protection Regulations (《計算機軟件保護條例》) promulgated on June 4, 1991 and latest amended on January 30, 2013, a software copyright owner may complete registration formalities with a software registration authority recognized by the State Council's copyright administrative department. A software copyright owner may authorize others to exercise that copyright, and is entitled to receive remuneration.

Domain names

Domain names are protected under the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》) issued by the MIIT, on August 24, 2017 and effective from November 1, 2017. The MIIT is the main regulatory authority responsible for the administration of PRC internet domain names. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

Regulations relating to Foreign Exchange Administration on Foreign Direct Investment

Under the Foreign Exchange Administration Rules of the PRC (《中華人民共和國外匯管理條例》), which was last amended by the State Council and became effective on August 5, 2008, Foreign institutions and individuals who invest directly in China shall conduct registrations with foreign exchange authorities upon approval by the relevant authorities.

REGULATORY OVERVIEW

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was promulgated by the State Administration of Foreign Exchange, the "SAFE", and became effective on June 1, 2015, has cancelled (1) confirmation of foreign exchange registration under domestic direct investment and confirmation of foreign exchange registration under overseas direct investment; (2) registration for confirmation of the non-cash capital contribution of foreign investors under domestic direct investment and the registration for confirmation of the capital contribution made by foreign investors for acquisition of the equity interests of the Chinese side; (3) foreign exchange filling of overseas re-investment; and (4) annual inspection on foreign exchange of direct investment. According to the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) which was promulgated by the SAFE and became effective on June 9, 2016, The term "discretionary settlement of foreign exchange receipts under the capital account" means the settlement of foreign exchange receipts under the capital account (including the foreign exchange capital, external debts and funds recovered from overseas listing, etc.) that are subject to discretionary settlement as already specified by relevant policies may be handled at banks based on the domestic institutions' actual requirements for business operation. Domestic institutions may, when conducting the discretionary settlement of foreign exchange receipts under the capital account, use their foreign exchange receipts according to the system of foreign exchange settlement upon payment. The foreign exchange receipts under the capital account and capital in RMB obtained through foreign exchange settlement shall not be used for the following purposes: (1) directly or indirectly used for payments outside the business scope or for payments prohibited under relevant laws and regulations; (2) directly or indirectly used for investment in securities or for investment in financing products other than principle guaranteed products provided by banks, unless otherwise provided by laws and regulations; (3) used for granting loans to non-related enterprises, unless permitted by the scope of business; and (4) used for constructing or purchasing of real estate that is not for self-use, unless such company is a real estate company.

SAFE Circular 37

In July 2014, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Issues Concerning Foreign Exchange Administration of the Overseas Investment and Financing and the Round-tripping Investment Made by Domestic Residents through Special-Purpose Companies (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or the SAFE Circular 37, which replaced the Notice of the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), or the SAFE Circular 75. SAFE Circular 37 requires PRC residents, including PRC individuals and PRC corporate entities, to register with SAFE or its

REGULATORY OVERVIEW

local branches in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. SAFE Circular 37 is applicable to our Shareholders who are PRC residents and may be applicable to any offshore acquisitions that we may make in the future.

Under SAFE Circular 37, PRC residents who make, or have prior to the implementation of SAFE Circular 37 made, direct or indirect investments in offshore special purpose vehicles, or SPVs, are required to register such investments with SAFE or its local branches. In addition, any PRC resident who is a direct or indirect shareholder of an SPV, is required to update its registration with the local branch of SAFE with respect to that SPV, to reflect any change of basic information or material events. If any PRC resident shareholder of such SPV fails to make the required registration or to update the registration, the subsidiary of such SPV in China may be prohibited from distributing its profits or the proceeds from any capital reduction, share transfer or liquidation to the SPV, and the SPV may also be prohibited from making additional capital contributions into its subsidiaries in China.

Regulations Relating to Employee Stock Incentive Plan

On February 15, 2012, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Issues concerning the Foreign Exchange Administration of Domestic Individuals' Participation in Equity Incentive Plans of Overseas Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or the Stock Option Rules. In accordance with the Stock Option Rules and relevant rules and regulations, PRC citizens or non-PRC citizens residing in China for a continuous period of not less than one year, who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with the SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain procedures. We and our employees who are PRC citizens or who reside in China for a continuous period of not less than one year and who participate in our stock incentive plan will be subject to such regulation. In addition, the State Taxation Administration, the SAT, has issued circulars concerning employee share options or restricted shares. Under these circulars, employees working in the PRC who exercise share options, or whose restricted shares vest, will be subject to PRC individual income tax, the "IIT". The PRC subsidiaries of an overseas listed company have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold IIT of those employees related to their share options or restricted shares. If the employees fail to pay, or the PRC subsidiaries fail to withhold, their IIT according to relevant laws, rules and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC government authorities.

REGULATORY OVERVIEW

LAWS AND REGULATIONS RELATING TO DIVIDEND DISTRIBUTIONS

The principal laws, rules and regulations governing dividend distributions by foreign-invested enterprises in the PRC are the PRC Company Law (《中華人民共和國公司法》), promulgated in 1993 and latest amended in 2018 and the Foreign Investment Law and its Implementing Regulations. Under these requirements, foreign-invested enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. A PRC company is required to allocate at least 10% of their respective accumulated after-tax profits each year, if any, to fund certain capital reserve funds until the aggregate amount of these reserve funds have reached 50% of the registered capital of the enterprises. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

LAWS AND REGULATIONS RELATING TO EMPLOYMENT, SOCIAL SECURITY AND HOUSE FUNDS

Labor Law, Labor Contract Law and its Implementation Regulations

Pursuant to the *PRC Labor Law* (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994 and latest amended on December 29, 2018 and the PRC Labor Contract Law (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007 and latest amended on December 28, 2012, employers must execute written labor contracts with full-time employees. All employers must comply with local minimum wage standards. Employers must establish a comprehensive management system to protect the rights of their employees, including a system governing occupational health and safety to provide employees with occupational training to prevent occupational injury, and employers are required to truthfully inform prospective employees of the content of work, working conditions, location, occupational hazards and status of safe production as well as remuneration and other conditions. Violations of the PRC Labor Contract Law and the *PRC Labor Law* may result in the imposition of fines and other administrative and criminal liability in the case of serious violations.

Regulations on Social Insurance and Housing Provident Funds

According to the Law of Social Insurance of the PRC (《中華人民共和國社會保險法》) which was promulgated on 28 October 2010 and was amended on 29 December 2018, the Chinese social security system basically consists of five major types of social insurances, namely maternity insurance, pension insurance, medical insurance, unemployment insurance and work-related injury insurance, and each company in the PRC is required to contribute social insurance for its employees. If any company fails to fully pay the social insurance premiums, the social insurance contributions collecting agency shall place an order with the employer demanding full payment within a prescribed period, and an overdue payment at the rate of 0.05% shall be levied as of the date of indebtedness. When the payment is not made at the expiry of the prescribed period, a fine above the overdue amount but less than its triple shall be demanded by the authoritative administrative department.

REGULATORY OVERVIEW

Under the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated on 22 January 1999 and revised on 24 March 2019, which stipulates the collection and payment of basic pension insurance, basic medical insurance and unemployment insurance, employers and individuals shall pay social insurance premiums timely in full amount. At the same time, it clarified that if an employer fails to pay and withhold social insurance premiums, the labour insurance administrative department or the tax authority shall order it to pay within a prescribed time limit. When the payment is not made at the expiry of the prescribed time limit, 0.2% of the amount of arrears per day shall be collected.

In accordance with the Regulations on the Management of Housing Fund (《住房公積金管理條例》), which was last amended by the State Council and came into effect on March 24, 2019, employers shall apply for housing fund deposit registration with the local housing fund administrative center, and shall open an housing fund account at the relevant bank. Employers failing to complete such registration and open such account may be ordered to make corrections within a prescribed time limit; if they fail to do so within the time limit, a fine of RMB10,000 to RMB50,000 will be imposed on them. Where an employer fails to pay the housing fund in full, the housing fund administrative center will order the employer to pay the amount within a prescribed time limit; if the employer still fails to pay the amount, the housing fund administrative center can apply to the People's Court for compulsory enforcement of the outstanding amount.

LAWS AND REGULATIONS RELATING TO TAXATION

Regulations on Enterprise Income Tax

Pursuant to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) effective as of January 1, 2008 and latest amended on December 29, 2018, the income tax rate for both domestic and foreign-invested enterprises is 25% with certain exceptions. To clarify certain provisions in the PRC Enterprise Income Tax Law, the State Council promulgated the Implementation Rules of the Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》) on December 6, 2007, which was latest amended and became effective on April 23, 2019. Under the PRC Enterprise Income Tax Law and the Implementation Rules of the PRC Enterprise Income Tax Law, enterprises are classified as either "resident enterprises" or "non-resident enterprises." Aside from enterprises established within the PRC, enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and are subject to the uniform 25% enterprise income tax rate for their global income. In addition, the PRC Enterprise Income Tax Law provides that a non-resident enterprise refers to an entity established under foreign law whose "de facto management bodies" are not within the PRC, but has an establishment or place of business in the PRC, or does not have an establishment or place of business in the PRC but has income sourced within the PRC.

REGULATORY OVERVIEW

The Implementation Rules of the PRC Enterprise Income Tax Law provide that since January 1, 2008, an income tax rate of 10% shall normally be applicable to dividends declared to non-PRC resident enterprise investors that do not have an establishment or place of business in the PRC, or have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which the non-PRC shareholders reside.

Regulations on Value Added Tax

Pursuant to the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》), latest amended by the State Council on November 19, 2017, the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), promulgated by the Ministry of Finance on December 15, 1993 and latest amended and came into effect on November 1, 2011 (collectively, the "VAT Law"), all enterprises and individuals engaged in the sale of goods, the provision of processing, repairing and replacement of services, and the importation of goods within the territory of the PRC must pay value added tax ("VAT"). On November 19, 2017, the State Council promulgated The Decisions on Abolition of the Provisional Regulations of the PRC on Business Tax and Revision of the Provisional Regulations of the PRC on Value-added Tax (《關於廢止〈中華人民共和國營業稅暫行條例〉和修改〈中華人民共和國增值稅暫行條例〉的決定》), or Order 691. According to the VAT Law and Order 691, all enterprises and individuals engaged in the sale of goods, the provision of processing, repairing and replacement of services, sales of services, intangible assets, real property and the importation of goods within the territory of the PRC must pay VAT. The VAT tax rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the VAT tax rate applicable to the small-scale taxpayers is 3%. The Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》), or the Notice, was promulgated on April 4, 2018 and came into effect on May 1, 2018. According to the Notice, the VAT tax rates of 17% and 11% are changed to 16% and 10%, respectively. On March 20, 2019, the Ministry of Finance, State Taxation Administration and General Administration of Customs jointly promulgated the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》), or Notice 39, which came into effect on April 1, 2019. Notice 39 further changes the VAT tax rates of 16% and 10% to 13% and 9% respectively.

Stamp Tax

Under the Provisional Regulations of the People's Republic of China on Stamp Tax (《中華人民共和國印花稅暫行條例》) (the "Provisional Regulations on Stamp Tax") which was promulgated by the State Council on August 6, 1988 and implemented on October 1, 1988, and subsequently revised on January 8, 2011, and the Stamp Tax Law of the People's Republic of China (《中華人民共和國印花稅法》) (the "Stamp Tax Law"), which was promulgated by SCNPC to replace the Provisional Regulations on Stamp Tax, becoming effective on July 1,

REGULATORY OVERVIEW

2022, all enterprises and individuals creating and obtaining taxable documents within China are taxpayers of stamp tax and shall pay stamp tax according to law. The list of taxable documents includes purchase and sale contracts, processing contracts, construction project contracts, property lease contracts, cargo freight contracts, warehousing and storage contracts, loan contracts, property insurance contracts, technical contracts, other documents resemble contract in nature, title transfer deeds, business account books, certificate of rights, license and other taxable documents specified by the Ministry of Finance. The specific tax rates and mounts shall be subject to the List of Items and Rates of Stamp Tax (《印花稅稅目稅率表》) which is attached to the Stamp Tax Law.

Urban Maintenance and Construction Tax and Education Surcharges

According to the Circular of the State Council on Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (《國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) which was promulgated by the State Council on October 18, 2010 and implemented on December 1, 2010, foreign invested enterprises, foreign enterprises and foreign individuals are applicable to the Provisional Regulations of the People's Republic of China on City Maintenance and Construction Tax (《中華人民共和國城市維護建設稅暫行條例》) (the "Provisional Regulations on City Maintenance and Construction Tax") which was promulgated by the State Council on February 8, 1985 and implemented on January 1, 1985, and subsequently revised on January 8, 2011 and was replaced by the Urban Maintenance and Construction Tax Law of the People's Republic of China (《中華人民共和國城市維護建設稅法》) (the "Provisional Regulations on Urban Maintenance and Construction Tax") which was promulgated by the SCNPC on August 11, 2020 and came into effect on September 1, 2021, and the Provisional Regulations for Imposition of Education Surcharges (《徵收教育費附加的暫行規定》) (the "Provisional Regulations on Education Surcharges") which was promulgated by the State Council on April 28, 1986 and implemented on July 1, 1986, and subsequently revised on June 7, 1990, August 20, 2005 and January 8, 2011.

According to the Provisional Regulations on Urban Maintenance and Construction Tax, all units and individuals that pay consumption tax and VAT are all taxpayers who pay taxes on urban maintenance and construction. They shall pay the urban maintenance and construction tax according to the regulations. The computation of city maintenance and construction tax shall be based on the amount of consumption tax and VAT actually paid by taxpayers, and the tax shall be paid together with the payment of consumption tax and VAT. If the location of the taxpayer is in the urban area, the tax rate of urban maintenance and construction shall be 7%; if the location of the taxpayer is in the county or town, the tax rate of urban maintenance and construction shall be 5%; if the location of the taxpayer is not in the urban area, the county or town, the tax rate of urban maintenance and construction shall be 1%.

According to the Provisional Regulations on Education Surcharges, all units and individuals who pay the consumption tax, VAT and business tax shall pay education surcharges in accordance with the regulations of the Provisional Regulations on Education Surcharges, except the units that pay rural surcharges of operating expenses of education in accordance

REGULATORY OVERVIEW

with the regulations of the Circular of the State Council on Raising Funds for Running Schools in Rural Areas (《國務院關於籌措農村學校辦學經費的通知》). The computation of education surcharges shall be based on the amount of VAT, business tax, and consumption tax actually paid by each unit and individual. The education surcharges rate is 3%, and the tax shall be paid together with the payment of VAT, business tax, and consumption tax.

LAWS AND REGULATIONS RELATING TO ANTI-UNFAIR COMPETITION

Anti-unfair Competition Law

According to the Anti-unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》) (the "Anti-unfair Competition Law") which was promulgated by the SCNPC on September 2, 1993 and implemented on December 1, 1993, and subsequently revised on November 4, 2017 and April 23, 2019, unfair competition refers to that the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions of the Anti-unfair Competition Law in the production and operating activities. Pursuant to the Anti-unfair Competition Law, operators shall abide by the principle of voluntariness, equality, impartiality, integrity, and adhere to laws and business ethics during market transactions. Operators shall not conduct misleading behaviors which may confuse consumers to take their commodities as the commodities of others or lead consumers to believe that there is a connection between their commodities and other persons. Operators shall not conduct any false or misleading commercial publicity in respect of the performance, functions, quality, sales, user reviews, and honors received of its commodities, in order to defraud or mislead consumers. Operators shall not help other operators to conduct false or misleading commercial publicity by organizing false transactions. Operators shall not infringe on trade secrets. Operators shall not fabricate or disseminate false or misleading information or damage the business reputation of the competitors or their goods. Operators engaging in production or operations activities online shall also abide by the provisions of the Anti-unfair Competition Law. No operator may, by technical means to affect users' options, among others, commit the acts of interfering with or sabotaging the normal operation of online products or services legally provided by another operator. Operators in violation of the Anti-unfair Competition Law shall bear corresponding civil, administrative or criminal responsibilities depending on the specific circumstances.

Anti-Monopoly Law

According to the Anti-Monopoly Law of the People's Republic of China (《中華人民共和國反壟斷法》) (the "Anti-Monopoly Law") which was promulgated by the SCNPC August 30, 2007 and implemented on August 1, 2008, and subsequently revised on 24 June 2022, effective from August 1 2022, the Anti-Monopoly Law applies to the monopolistic practices in domestic economic activities in China as well as the monopolistic practices outside China which have exclusion or restriction effects on domestic market competitions. The monopolistic practices under the Anti-Monopoly Law include any monopoly agreement reached by any operators, abuse of market-dominating position by any operators and any concentration of operators which has eliminated or limited or may eliminate or limit the market competition.

REGULATORY OVERVIEW

The anti-monopoly law enforcement agencies designated by the State Council are responsible for enforcement of the Anti-Monopoly Law in accordance with the provisions of the Anti-Monopoly Law. The anti-monopoly law enforcement agencies of the State Council may, according to the needs of their work, authorize the corresponding agencies of the people’s governments of provinces, autonomous regions, and municipalities to be responsible for enforcement of the Anti-Monopoly Law. Operators who violate the provisions of the Anti-Monopoly Law will be ordered by the anti-monopoly law enforcement agencies to stop the illegal act and be imposed a fine.

LAWS AND REGULATIONS RELATING TO CYBERSECURITY

The Cyber Security Law of the PRC (《中華人民共和國網絡安全法》) (the “Cyber Security Law”), which was promulgated by SCNPC on November 7, 2016 and came into effect on June 1, 2017, requires that when constructing and operating a network, or providing services through a network, technical measures and other necessary measures shall be taken in accordance with laws, administrative regulations and the compulsory requirements set forth in national standards to ensure the secure and stable operation of the network, to effectively cope with cyber security events, to prevent criminal activities committed on the network, and to protect the integrity, confidentiality and availability of network data. The Cyber Security Law emphasizes that any individuals and organizations that use networks must not endanger network security or use networks to engage in unlawful activities such as those endangering national security, economic order and social order or infringing the reputation, privacy, intellectual property rights and other lawful rights and interests of others. The Cyber Security Law has also reaffirmed certain basic principles and requirements on personal information protection previously specified in other existing laws and regulations. Any violation of the provisions and requirements under the Cyber Security Law may subject an internet service provider to rectifications, warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of qualifications, closedown of websites or even criminal liabilities.

According to the Measures for Cybersecurity Review (《網絡安全審查辦法》) which was jointly promulgated by the CAC and other twelve PRC regulatory authorities on December 28, 2021 and effective in February 15, 2022, (i) the purchase of cyber products and services by critical information infrastructure operators (the “CIIOs”) and the network platform operators (the “Network Platform Operators”) who engage in data processing activities that affect or may affect national security shall be subject to the cybersecurity review by the Cybersecurity Review Office, the department which is responsible for the implementation of cybersecurity review under the CAC and (ii) the Network Platform Operators possessing personal information data of more than one million users that seek for listing in a foreign country are obliged to apply for a cybersecurity review by the Cybersecurity Review Office. Further, the relevant governmental authorities in the PRC may initiate cyber security review if such governmental authorities determine the cyber products or services, and data processing activities affect or may affect the national security.

REGULATORY OVERVIEW

In addition, the CAC published the Regulations on Network Data Security Management (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Measures for Network Data Security, on 14 November 2021, which specify that data processor who seeks to list in Hong Kong that affects or may affect the national security shall apply for the cybersecurity review. However, the criteria for determining “affect or may affect the national security” as stipulated therein remain unclear and is still subject to further explanation and elaboration, and substantial uncertainties exist with respect to the enactment date, final content, interpretation and implementation of the Draft Measures for Network Data Security. In accordance with the National Security Law of the PRC (《國家安全法》), “national security” refers to a status in which the state power, sovereignty, unity and territorial integrity, people’s well-being, sustainable economic and social development and other vital national interests shall face no relative danger of internal and external threats, as well as the ability to safeguard sustainable security. Given that the definition in determining “national security” is relatively extensive and no further detailed interpretation has been provided, there remains uncertainties as to the categories and scope of data processing activities which would influence or possibly influence national security under the Draft Measures for Network Data Security.

LAWS AND REGULATIONS RELATING TO DATA SECURITY AND PRIVACY PROTECTION

The PRC Data Security Law (《中華人民共和國數據安全法》), which was promulgated by SCNPC on June 10, 2021 and became effective on September 1, 2021, requires that data collection shall be conducted in a legitimate and proper manner, and theft or illegal collection of data is not permitted. Data processors shall establish and improve the whole-process data security management rules, organize and implement data security trainings as well as take appropriate technical measures and other necessary measures to protect data security. In addition, data processing activities shall be conducted on the basis of the graded protection system for cybersecurity. Monitoring of the data processing activities shall be strengthened, and remedial measures shall be taken immediately in case of discovery of risks regarding data security related defects or bugs. In case of data security incidents, responding measures shall be taken immediately, and disclosure to users and report to the competent authorities shall be made in a timely manner.

LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY

Product Quality Responsibility

In accordance with the Product Quality Law of the People’s Republic of China (《中華人民共和國產品質量法》) (the “Product Quality Law”) which was promulgated by the SCNPC on February 22, 1993 and implemented on September 1, 1993, and subsequently revised on July 8, 2000, August 27, 2009 and December 29, 2018, the engagement in product manufacturing and sales activities in China shall abide by the Product Quality Law. Producers and sellers shall be responsible for the quality of the products they produce and sell. Quality of products shall meet the following requirements: (i) the products shall be free from any unreasonable threats to personal safety or safety of property, and shall conform to national

REGULATORY OVERVIEW

standards or trade standards for ensuring human health and personal or property safety if there are such standards; (ii) the products shall have the function they are supposed to have, except where there are explanations about the functional defects; and (iii) the products shall meet the standards specified on the products or packages thereof and the quality condition specified by way of product instructions or samples.

Pursuant to the PRC Civil Code (《中華人民共和國民法典》), which was promulgated by the National People’s Congress on May 28, 2020 and came into effect on January 1, 2021, in the event of damage caused to others due to product defect, the infringed may seek compensation from the manufacturer of the products or may also seek compensation from the seller of the products. Where the product defect is caused by the producer, the seller may, after paying compensation, claim the same from the producer. Where the product defect is caused by the fault of the seller, the producer may, after paying compensation, claim the same from the seller.

LAWS AND REGULATIONS RELATING TO CONSUMERS PROTECTION

According to the Law of the PRC on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) (the “Consumer Protection Law”) which was promulgated on October 31, 1993, amended on August 27, 2009 and October 25, 2013 and became effective on March 15, 2014, unless otherwise provided by this law, a business operator that provides products or services shall, in any of the following circumstances, bear civil liability in accordance with the Product Quality Law and other relevant laws and regulations: (i) where a defect exists in a product; (ii) where a commodity does not possess functions it is supposed to possess, and it is not declared when the product is sold; (iii) where the product standards indicated on a product or on the package of such product are not met; (iv) where the quality condition indicated by way of product description or physical sample, etc. is not met; (v) where products pronounced obsolete by formal national decrees are produced or have expired or deteriorated commodities are sold; (vi) where a sold product is not adequate in quantity; (vii) where the service items and fees are in violation of an agreement; (viii) where demands by a consumer for repair, redoing, replacement, return, making up the quantity of a product, refund of a product purchase price or service fee or claims for compensation have been delayed deliberately or rejected without reason; or (ix) in other circumstances whereby the rights and interests of consumers, as provided by the PRC laws and regulations, are harmed.

LAWS AND REGULATIONS RELATING TO OVERSEAS OFFERING AND LISTING

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the “Overseas Listing Trial Measures”) and relevant five guidelines, which will become effective on March 31, 2023. According to the Overseas Listing Trial Measures, the PRC domestic enterprises that seek to offer and list securities in overseas markets, either in direct or indirect means (“Overseas Offering and Listing”), are required to fulfill the filing procedure with the CSRC and submit filing reports, legal opinions, and other relevant documents. Specifically, following the principle of substance over form, if an issuer

REGULATORY OVERVIEW

both meets the following criteria, its overseas offering and listing will be deemed as indirect Overseas Offering and Listing by a PRC domestic enterprises: (i) 50% or more of any of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer’s business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China. In the case of indirect Overseas Offering and Listing by a PRC domestic enterprise, the issuer shall designate a major domestic operating entity as the responsible domestic party for filing with CSRC.

The Overseas Listing Trial Measures also set forth the issuer’s reporting obligations in the event of occurrence of material events (the “**Material Events**”) after the Overseas Offering and Listing. In the event of the occurrence of any of the following Material Events, the issuer shall make a detailed report to the CSRC within 3 working days after the occurrence and public announcement of the relevant event: (i) change in controlling rights; (ii) being subject to investigation, punishment or other measures by overseas securities regulatory authorities or the relevant authorities; (iii) changing listing status or changing the listing board; (iv) voluntary or compulsory termination of listing. Besides, if any material change in the principal business and operation of the issuer after its Overseas Offering and Listing makes the issuer no longer within the scope of record-filing, the issuer shall submit a special report and a legal opinion issued by a PRC domestic law firm to the CSRC within 3 working days after the occurrence of the relevant change to provide an explanation of the relevant situation.

According to the Overseas Listing Trial Measures, the PRC domestic enterprises engaging in Overseas Offering and Listing activities shall strictly comply with the laws, administrative regulations, and relevant provisions of the PRC government on foreign investment, State-owned assets, industry regulation, overseas investment, etc., shall not disrupt domestic market order, and shall not harm national interests, public interest and the legitimate rights and interests of domestic investors. The PRC domestic enterprise that conducts Overseas Offering and Listing shall (i) formulate its articles of association, improve its internal control system and standardize its corporate governance, financial affairs and accounting activities in accordance with the PRC Company Law, the PRC Accounting Law and other PRC laws, administrative regulations and applicable provisions; (ii) abide by the legal system of the PRC on confidentiality and take necessary measures to implement the confidentiality responsibility, shall not divulge any state secret or the work secrets of state authorities, and shall also comply with laws, administrative regulations and the relevant provisions of the PRC where involved in the overseas provision of personal information and important data.

REGULATORY OVERVIEW

In addition, the Overseas Listing Trial Measures also provides the circumstances where the Overseas Offering and Listing is explicitly prohibited, including: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the Overseas Offering and Listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the PRC domestic enterprise, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the PRC domestic enterprise is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OVERVIEW

Our history can be traced back to 2014 when Beijing Ediantao, a principal subsidiary of our Group primarily engaged in the provision of office IT integrated solutions, was incorporated in the PRC. Since then, we have emerged to become 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. According to Frost & Sullivan, we are the largest office IT integrated solution provider in China in terms of revenue, number of devices under service and remanufacturing capacity. In 2021, we had a market share of 0.6% in the enterprise office IT service industry, given the massive size of such industry, we had a market share of 19.6% in the office IT integrated solution market, according to Frost & Sullivan. The establishment and development of our Group was led by our Co-founders, Dr. Ji and Mr. Zhang, who have extensive expertise in the industry. See “Directors and Senior Management” for further details of their relevant experience in the industry.

Our Company was incorporated on November 18, 2015 to serve as the offshore holding company of the current business of our Group. We have conducted a series of Reorganization for the purpose of the [REDACTED]. See “– Reorganization.”

KEY BUSINESS MILESTONES

The following table sets forth our key business development milestones:

Year	Event
2014	We established Beijing Ediantao, one of our principal subsidiaries.
2015	We officially launched our integrated office IT solutions. The devices under our service reached 10 thousand.
2016	Our accumulative enterprise customers reached 10 thousand.
2017	We launched Ebandian, our first fixed asset management SaaS service. The devices under our service reached 100 thousand.
2018	We consolidated our remanufacturing facilities and capacities and officially launched our PC remanufacturing factory in Wuhan. We started to provide our customers with two-hour door-to-door on-site service. We officially launched Epaiji (易拍機), our proprietary online business-to-business bidding platform for pre-owned computer devices.
2020	Our accumulative enterprise customers reached approximately 40 thousand.
2021	The devices under our service reached 1 million.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR MAJOR SUBSIDIARIES

We conducted our business principally through the following subsidiaries which made material contribution to our results of operations during the Track Record Period:

Name	Date of establishment	Place of establishment	Ownership as of the Latest Practicable Date	Principal business activities
Beijing Ediantao	October 14, 2014	PRC	an indirectly wholly-owned subsidiary of our Company	providing integrated office IT subscription service
Huaqing Edian	February 2, 2016	PRC	an indirectly wholly-owned subsidiary of our Company	providing integrated office IT subscription service
Beijing Ebandian	November 8, 2017	PRC	an indirectly wholly-owned subsidiary of our Company	providing fixed asset management SaaS products to enterprise customers

MAJOR SHAREHOLDING CHANGES OF OUR GROUP

Major shareholding changes

Establishment and shareholding changes of Beijing Ediantao

Beijing Ediantao was incorporated on October 14, 2014 and its equity interests was held as to 90% and 10% by Dr. Ji and his spouse Ms. Chen Dan (陳丹), respectively upon its establishment. On September 25, 2015, Dr. Ji and Ms. Chen Dan transferred 33.33% and 100% of their respective equity interests in Beijing Ediantao to Mr. Zhang. On the same day, Beijing Hongtai contributed approximately RMB176.5 thousand to the registered capital of Beijing Ediantao. Upon completion of the above equity interest transfers and capital contribution, Beijing Ediantao was held as to approximately 51%, 34% and 15% by Dr. Ji, Mr. Zhang and Beijing Hongtai, respectively.

Establishment and development of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on November 18, 2015 with a par value of US\$0.0005 each. At the time of incorporation, our Company was held as to 60% by Dr. Ji Entity controlled by Dr. Ji and 40% by Mr. Zhang Entity controlled by Mr. Zhang, respectively.

Our Company also established Edianzu HK and All In Service HK on December 1, 2015 and February 4, 2019, respectively.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

From 2015 to 2021, we have completed several rounds of Pre-[REDACTED] Investments, for which our Company issued Series Angel preferred shares, Series A-1 preferred shares, Series A-2 preferred shares, Series A-3 preferred shares, Series B preferred shares, Series C preferred shares, Series D preferred shares and Series E preferred shares (the “Preferred Shares”) to the relevant Pre-[REDACTED] Investors. See “– Pre-[REDACTED] Investments” in this section for further details.

Termination of 2016 Contractual Arrangements

In March 2016, for the purpose of seeking potential business opportunities and expanding our business scope which may involve foreign investment restrictions, as well as in sought of the possibilities of listing on overseas markets, as discussed with overseas investors, we decided to adopt a VIE structure in sought of the possibilities of financing from overseas markets and entered into a series of contractual arrangements with Beijing Ediantao and its respective shareholders and Huaqing Edian (the “**2016 Contractual Arrangements**”), through which we were able to exercise control over and enjoy all the economic benefits to be derived from the operations of our business in the PRC. After the adoption of the 2016 Contractual Arrangements, our Group had not made decision on the expanding its business scope and did not engage in any foreign investment restricted or prohibited business. On January 21, 2021, in anticipation of the proposed [REDACTED] and in order to comply with relevant rules and regulations of the Stock Exchange (including the Listing Rules and the “narrowly tailored” requirements under Listing Decision HKEX – LD43-3 issued by the Stock Exchange), we terminated the 2016 Contractual Arrangements. No other [REDACTED] were made by us to any other stock exchange prior to our proposed [REDACTED] on the Stock Exchange.

As advised by our PRC Legal Advisor, the termination of the 2016 Contractual Arrangements was binding among the parties thereto and the 2016 Contractual Arrangements has been effectively unwind as of such date. The businesses conducted by our Group since March 2016 include office IT integrated solution, online business-to-business platform for pre-owned computer devices and fixed asset management SaaS service. As advised by our PRC Legal Advisor, such businesses are not subject to foreign investments restrictions under the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition) (《外商投資準入特別管理措施(負面清單)(2021年版)》) issued by the National Development and Reform Commission of China, which required our Group to adopt a VIE structure to conduct its businesses.

The termination of the 2016 Contractual Arrangements in January 2021, and the respective acquisitions of Huaqing Edian and Beijing Ediantao by Edianzu HK in August and November 2021 are part of the Reorganization. Prior to the Reorganization, the business of our Group was mainly carried out by Huaqing Edian, Beijing Ediantao and their subsidiaries. Our Group has underwent the Reorganization to rationalize the corporate structure in preparation of the [REDACTED], see “– Major Shareholding Changes of our Group” in this section for details. The Reorganization is merely a recapitalization of our Group’s business with no

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

substantive change in the economic substance of the ownership and our Group’s business before and after the Reorganization. Accordingly, the historical financial information has been prepared and presented as a continuation of the financial information of our Group’s business prior to the Reorganization.

Major Acquisitions, Disposals and Mergers

Save as disclosed above and in the paragraph headed “– Corporate Reorganization” in this section, we had no other major acquisitions, disposals or mergers during the Track Record Period and up to the Latest Practicable Date.

Deregistered Subsidiaries in the PRC

During the Track Record Period, we deregistered certain of our indirect wholly-owned subsidiaries in the PRC, including Dazi Huajia Network Technology Co., Ltd. (達孜華嘉網絡科技有限公司), Beijing All in Xiangqian Technology Co., Ltd. (北京全傾向前技術有限公司), Beijing All in Ganxin Technology Co., Ltd. (北京全傾感心科技有限公司), and Beijing Edian Zhikuai Technology Co., Ltd. (北京易點致快科技有限公司), because such entities had no actual business operation since establishment or had ceased business operation before their deregistration in accordance with Group’s overall business strategy and business plan. These deregistered subsidiaries were established for the purpose of the provision of IT services before their deregistration. During the Track Record Period, such PRC deregistered subsidiaries generated revenue of RMB0.7 million, RMB0.1 million and nil, and incurred losses of RMB0.2 million, RMB0.03 million and nil, respectively.

None of the above deregistered subsidiaries has encountered financial difficulties since their respective establishment, and their deregistration had no material impact on our Group’s financial performance or prospects. As confirmed by our PRC Legal Advisor, none of the above deregistered subsidiaries was involved in any material non-compliant incidents, claims or litigations, and their deregistration complied with the relevant PRC laws and requirements.

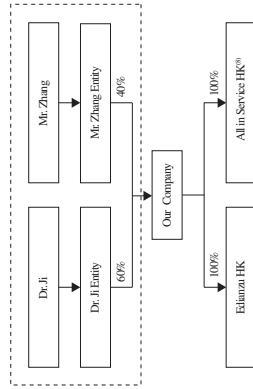
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE REORGANIZATION

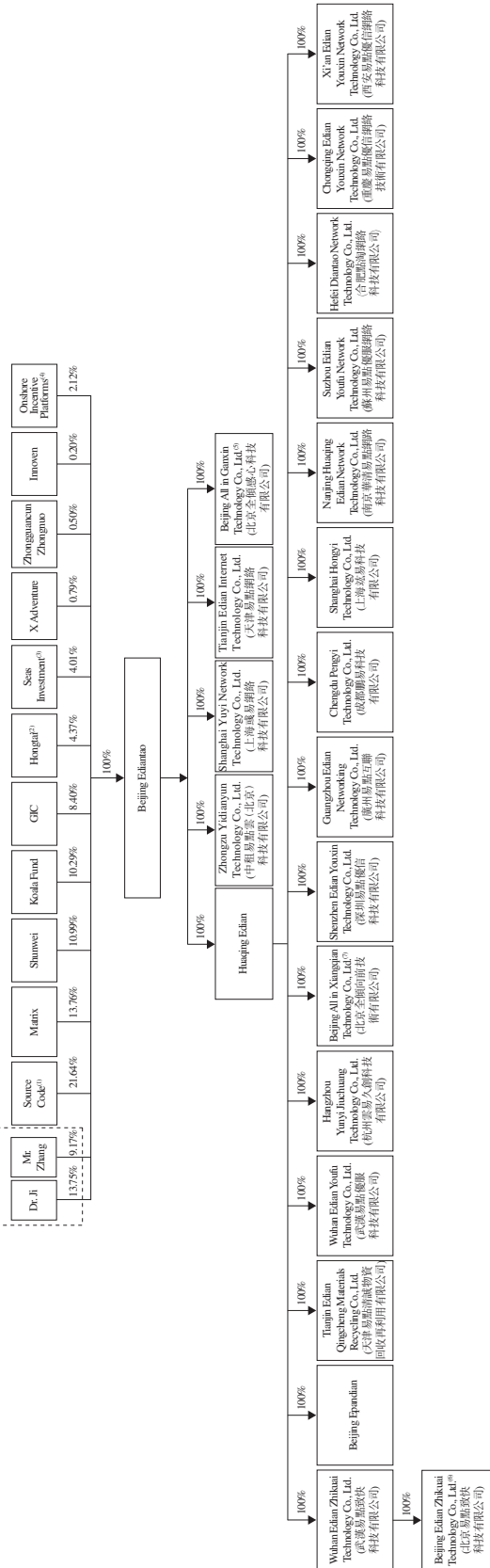
In order to streamline our corporate structure as well as in preparation for the [REDACTED], we underwent the Reorganization pursuant to which our Company became the holding company and [REDACTED] vehicle of our Group.

The following charts set out the shareholding and corporate structure of our Group immediately before the Reorganization:

Offshore:



Onshore:



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

- (1) Immediately before the Reorganization, Source Code held its interests in Beijing Ediantao through its eight investment vehicles, comprising Index Capital Hong Kong Limited, Silver Spring Capital Hong Kong Limited, Source Power Capital Hong Kong Limited, Wellspring Capital Hong Kong Limited, E-Link Capital Hong Kong Limited, Suzhou Yuanqi Equity Investment Center (Limited Partner) (蘇州源啟股權投資中心(有限合夥)), Jiaxing Yuanyu Equity Investment Limited Partnership (Limited Partner) (嘉興源域股權投資合夥企業(有限合夥)) and Fountain Capital Hong Kong Limited.
- (2) Immediately before the Reorganization, Hongtai held its interests in Beijing Ediantao through Beijing Hongtai and Shenzhen Hongtai.
- (3) Immediately before the Reorganization, Seas Investment held its interests in Beijing Ediantao through Cloud YDZ Hong Kong Limited. In addition, Seas Investment was authorized by ParmaWay Investment Ltd. (ParmaWay) to manage the Shares held by ParmaWay in our Company.
- (4) Onshore Incentive Platforms include nine limited partnerships beneficially owned by our current and past employees and advisors. It served as an onshore incentive shareholding platform of our Company before the Reorganization. Such onshore incentive platforms have ceased to hold any interests in Beijing Ediantao upon completion of the Reorganization, which have been reflected in the Company offshore.
- (5) Beijing All in Ganxin Technology Co., Ltd. (北京全傾感心科技有限公司) was deregistered on August 20, 2021.
- (6) Beijing Edian Zhikuai Technology Co., Ltd. (北京易點致快科技有限公司) was deregistered on August 20, 2021.
- (7) Beijing All in Xiangqian Technology Co., Ltd. (北京全傾向前技術有限公司) was deregistered on August 12, 2020.
- (8) All in Service HK was deregistered on March 18, 2022.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

We list out below the main steps in effecting the Reorganization:

1. Acquisition of Huaqing Edian by Edianzu HK

On August 9, 2021, Able Cloud Hong Kong Limited (“**Able Cloud**”), Beijing Ediantao and Huaqing Edian entered into a capital injection agreement, pursuant to which Able Cloud agreed to subscribe for 0.15% of the equity interest of Huaqing Edian at a consideration of RMB1,000,000. Upon completion of the above transaction, Huaqing Edian was converted into a sino-foreign joint venture and was held as to 99.85% and 0.15% by Beijing Ediantao and Able Cloud, respectively.

On August 20, 2021, Edianzu HK and Beijing Ediantao entered into a share transfer agreement, pursuant to which Beijing Ediantao transferred 99.85% equity interest it held in Huaqing Edian to Edianzu HK for a consideration of US\$63,649,935, which is equivalent to the paid-up registered capital of Huaqing Edian contributed by Beijing Ediantao. On August 20, 2021, Edianzu HK and Able Cloud entered into a share transfer agreement, pursuant to which Able Cloud transferred 0.15% equity interest it held in Huaqing Edian to Edianzu HK. Upon completion of the transactions, Huaqing Edian was wholly owned by Edianzu HK.

2. Acquisition of Beijing Ediantao by Edianzu HK

On August 10, 2021, Edianzu HK subscribed 0.9901% of the equity interest in Beijing Ediantao at nominal value.

On October 15, 2021, the shares held by associates of the Pre-[REDACTED] Investors (the “**Onshore Pre-[REDACTED] Investors**”) in Beijing Ediantao were repurchased and cancelled by Beijing Ediantao, the consideration for which were equivalent to the initial investment amount paid by each Onshore Pre-[REDACTED] Investors. After that, the Pre-[REDACTED] Investors (through their respective investment vehicles) have further subscribed for the Shares of our Company offshore with approximately the same amount of consideration.

On November 19, 2021, the Co-founders and Edianzu HK entered into a share transfer agreement, pursuant to which the Co-founders transferred all of their equity interests in Beijing Ediantao to Edianzu HK for a consideration of RMB1,778,548 in aggregate. Such consideration was determined based on a valuation report on the relevant equity interests of Beijing Ediantao issued by a property valuer which is an Independent Third Party. Upon completion of the transaction, Beijing Ediantao was wholly owned by Edianzu HK.

3. Issuance of Shares to the Pre-[REDACTED] Investors to substantially reflect their shareholding in Beijing Ediantao

On October 12, 2021, our Company and our Pre-[REDACTED] Investors entered into the offshore shares purchase agreement, pursuant to which the Company issued, and the Pre-[REDACTED] Investors, through their respective investment vehicles, subscribed for the Shares in the Company to substantially reflect their respective rights, obligations and shareholdings in Beijing Ediantao.

For corporate and shareholding structure of our Company immediately after the Reorganization but prior to the completion of the [REDACTED], see “– Corporate Structure” in this section.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRE-[REDACTED] INVESTMENTS

Overview

From 2015 to 2021, our Group has completed eight rounds of Pre-[REDACTED] Investments. Details of the Pre-[REDACTED] Investments by our Pre-[REDACTED] Investors through subscription of new shares and/or acquisition of existing shares of our Group are summarized below.

Name of Pre-[REDACTED] Investor	Round	Date of settlement	Approximate number of total consideration	Cost per share ¹	Discount to the [REDACTED] ²
Hongtai	Series Angel	July 13, 2015	RMB6,000,000	US\$0.03968	[REDACTED]%
	Series B	September 15, 2017	RMB30,000,000	US\$0.273	[REDACTED]%
	Series C	March 29, 2018	RMB16,230,000	US\$0.442	[REDACTED]%
Koala Fund	Series A-3	November 29, 2016	RMB30,000,000	US\$0.125	[REDACTED]%
	Series B	August 31, 2017	RMB30,000,000	US\$0.273	[REDACTED]%
	Series C	February 28, 2018	RMB16,230,000	US\$0.442	[REDACTED]%
Matrix	Series A-1	March 23, 2016	US\$2,275,000	US\$0.11375	[REDACTED]%
	Series A-2	September 22, 2016	US\$2,500,000	US\$0.125	[REDACTED]%
	Series B	September 1, 2017	US\$4,426,476	US\$0.273	[REDACTED]%
	Series C	March 2, 2018	US\$4,500,000	US\$0.442	[REDACTED]%
	Series E	March 24, 2021	US\$10,000,000	US\$0.90383	[REDACTED]%
X Adventure	Series E	March 24, 2021	US\$4,000,000	US\$0.90383	[REDACTED]%
	Series A-1	March 21, 2016	US\$2,275,000	US\$0.11375	[REDACTED]%
Shunwei	Series A-2	September 22, 2016	US\$2,500,000	US\$0.125	[REDACTED]%
	Series B	September 22, 2017	US\$4,426,476	US\$0.273	[REDACTED]%
	Series C	February 28, 2018	US\$2,500,000	US\$0.442	[REDACTED]%

¹ Calculated (i) with reference to the exchange rate as agreed in the relevant shareholders agreement, and (ii) assuming that the Share Subdivision has been completed.

² The discount to the [REDACTED] is calculated based on the assumption that (1) the [REDACTED] is HK\$[REDACTED] per Share, being the mid-point of the [REDACTED] range; and (2) the Preferred Shares are reclassified as ordinary shares on a one-to-one basis.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Name of Pre-[REDACTED] Investor	Round	Date of settlement	Approximate number of total consideration	Cost per share ¹	Discount to the [REDACTED] ²
Source Code	Series C	February 28, 2018	US\$20,000,000	US\$0.442	[REDACTED]%
	Series D	September 25, 2018	US\$30,000,000	US\$0.829	[REDACTED]%
	Series E	March 26, 2021	US\$36,494,748	US\$0.90383	[REDACTED]%
GIC	Series D	September 26, 2018	US\$30,000,000	US\$0.829	[REDACTED]%
	Series E	March 23, 2021	US\$10,000,000	US\$0.90383	[REDACTED]%
Seas Investment	Series D	January 14, 2019	RMB29,224,648	US\$0.705 ³	[REDACTED]%
	Series E	March 24, 2021	US\$15,000,000	US\$0.90383	[REDACTED]%
Zhongguancun Zhongnuo	Series E	March 24, 2021	RMB14,000,000	US\$0.90383	[REDACTED]%
Innoven	Series D	February 20, 2019	US\$500,000	US\$0.829	[REDACTED]%
	Series E	March 24, 2021	US\$500,000	US\$0.90383	[REDACTED]%
<i>Historical investments from exited pre-[REDACTED] investors</i>					
Yaochuang Xinghui ⁴	Series E	March 22, 2021	RMB15,000,000	US\$0.90383	[REDACTED]%

³ Pursuant to the share transfer agreement entered into between, among others, Koala Fund and Seas Investment, Seas Investment acquired 601,115 Series A-3 Preferred Shares from Koala Fund for a consideration of US\$4,235,756 (the “**Consideration**”). To the best knowledge of the Company, the Consideration was determined between Koala Fund and Seas Investment after arm’s length negotiations taking into account, among others, the cost per share for the investment of Koala Fund in the Company in Series A-3, Series B and Series C rounds Pre-[REDACTED] Investments.

⁴ Yaochuang Xinghui was one of our Series E pre-[REDACTED] investors prior to the Reorganization. On November 24, 2020, Yaochuang Xinghui agreed to invest in our Group with a total consideration of RMB15,000,000. On March 11, 2021, due to its own capital needs, Yaochuang Xinghui transferred all its interest in our Group to other Pre-[REDACTED] Investors, including Source Code, Matrix, X Adventure, GIC and Seas Investment, in proportion to their investment entitlements in the Company’s Series E pre-[REDACTED] investment, and had ceased to be a shareholder of our Group since then. As at the time of transferring its interest in our Group to other Pre-[REDACTED] Investors, the payment obligation of Yaochuang Xinghui had not become due under its original investment agreement. Subsequently, Yaochuang Xinghui paid the consideration of its original investment to us on March 22, 2021 within the prescribed timeline as prescribed in its original investment agreement. Yaochuang Xinghui has confirmed that it has no disagreement with the Group and that there are no other matters in relation to its exit as a shareholder of the Group that need to be brought to the attention of the Shareholders of the Company.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The table below sets forth the other principal terms of the Pre-[REDACTED] Investments:

Use of proceeds from the Pre-[REDACTED] Investments

The net proceeds received by us from the Pre-[REDACTED] Investments amounted to approximately RMB503 million. As of the Latest Practicable Date, we utilized all the net proceeds from the Pre-[REDACTED] Investments for the purpose of business expansion, capital expenditures and general working capital needs of the Group.

Strategic benefits

At the time of the Pre-[REDACTED] Investments, our Directors were of the view that our Company would benefit from the additional capital provided by the Pre-[REDACTED] Investors' investments in our Company, insights for industry, advice on business expansion or strategic direction that the Pre-[REDACTED] Investors may bring to our Company.

Our Directors are also of the view that the Pre-[REDACTED] Investors' investments in our Company demonstrated their confidence in our Group's operations and served as an endorsement of our Company's performance, strengths and prospects.

Basis of determining the consideration

The consideration for the Pre-[REDACTED] investments received by us were determined based on arm's length negotiations between the Company and the Pre-[REDACTED] Investors after taking into consideration the timing of the investments and the status of our business and operating entities.

Lock-up requirement

All the Shares of the Company held by the Pre-[REDACTED] Investors are subject to a lock-up period of six-month from the [REDACTED].

Special Rights

Pursuant to the shareholders agreement of the Company, the Pre-[REDACTED] Investors were granted certain special rights in relation to our Company, including, among others, information and inspection rights, registration rights, right of participation, right of first refusal, investors' co-sale right, designation right, drag-along right, anti-dilution right and redemption right.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Pursuant to the shareholders agreement of the Company, each Pre-[REDACTED] Investor shall be entitled to exercise an anti-dilution right to subscribe for such number of Shares to be issued by our Company in connection with the [REDACTED] at the [REDACTED] so that the Pre-[REDACTED] Investor will maintain its shareholding in our Company (on a fully-diluted and as-converted basis after taking into account of the [REDACTED] being issued by the Company), assuming that the [REDACTED] is not exercised and no Shares are issued pursuant to the Pre-[REDACTED] Option Plan.

Certain special rights of the Pre-[REDACTED] Investors, for instance redemption right and any other divestment rights have ceased to be exercisable commencing from the time of the first submission of the [REDACTED] to the Stock Exchange, and shall be automatically reinstated and restored in full force and effect if (i) the [REDACTED] is withdrawn by the Company; (ii) the [REDACTED] is rejected by the Stock Exchange; or (iii) the [REDACTED] is not completed by September 13, 2023. All special rights (including the redemption right) of the Pre-[REDACTED] Investors shall automatically terminate upon the [REDACTED].

Information about the Pre-[REDACTED] Investors

Set out below is a description of our Pre-[REDACTED] Investors. To the best of our knowledge, each of the following Pre-[REDACTED] Investors and their respective ultimate beneficial owners is an Independent Third Party. Save as their respective investments in our Group and disclosed below, (i) each of the Pre-[REDACTED] Investors does not have any past or present relationship with any other Pre-[REDACTED] Investors and their respective ultimate beneficial owners; and (ii) each of the Pre-[REDACTED] Investors does not have any past or present relationships with our Company and its subsidiaries, their respective controlling shareholders, directors, senior management, or any of their respective associates.

Hongtai

Hongtai currently holds our Shares through Beijing Zaishun Yidian. The general partner of Beijing Zaishun Yidian is Beijing Hongtai Tongchuang Investment Management Co., Ltd. (the “**Beijing Hongtai Tongchuang**”, 北京洪泰同創投資管理有限公司). The only limited partner of Beijing Zaishun Yidian is Beijing Shunyidian. Beijing Hongtai Tongchuang is owned as to 90% by Xinchun Industry Co., Ltd. (鑫宸實業有限公司) which is owned as to 60% by Mr. Sheng Xitai (盛希泰) who has substantive experience in investment. The general partner of Beijing Shunyidian is Beijing Hongtai Tongchuang. The largest limited partner of Beijing Shunyidian is Shenzhen Hongtai which holds approximately 89.11% interests in Beijing Shunyidian. The general partner of Shenzhen Hongtai is Shenzhen Hongtai Growth Equity Investment Management Co., Ltd. (深圳洪泰成長股權投資管理有限公司) which is wholly owned by Beijing Hongtai Tongchuang. Beijing Zaishun Yidian is an investment vehicle of Hongtai Aplus (洪泰基金). Hongtai Aplus was founded by Mr. Yu Minhong (俞敏洪) and Mr. Sheng Xitai (盛希泰). It focuses on investing in information technology, advanced manufacture, medical treatment, new consumption and new material sectors. Apart from our Company, as confirmed by Hongtai Aplus, it has also invested in 13 enterprise service companies, and the scale of funds under its management exceeds RMB30 billion.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Koala Fund

Koala Fund currently holds our Shares through Tianjin Tongrun. The general partner of Tianjin Tongrun is Beijing Koala Kunlun Investment Management Co., Ltd. (“**Koala Kunlun**”, 北京考拉昆侖投資管理有限公司), which is owned as to 70% and 30% by Mr. Tian Wenkai (田文凱) and Mr. Sun Taoran (孫陶然), respectively. The only limited partner of Tianjin Tongrun is Koala Kunlue, the general partner of which is Beijing Kunlun Nanshan Investment Management Center (Limited Partnership) (“**Kunlun Nanshan**”, 北京昆侖南山投資管理中心(有限合夥)). The general partner of Kunlun Nanshan is Koala Kunlun. The only limited partner of Kunlun Nanshan is Dazi County Hengmai Network Technology Partnership (Limited partnership) (達孜縣恒邁網絡科技合夥企業(有限合夥)) which is ultimately controlled by Mr. Tian Wenkai. Mr. Tian Wenkai has years of investment experience in the field of financial technology, industrial Internet, and innovative consumption, and years of investment experience in the field of artificial intelligence and big data. Tianjin Tongrun is an investment vehicle of Koala Fund (考拉基金). Koala Fund focuses on investing in early stage and growth stage projects with great market potential, and its main investment areas include big data and artificial intelligence, financial innovation and enterprise services. Apart from our Company, as confirmed by Koala Fund, it has also invested in over ten companies in IT industry, and the scale of funds under its management is approximately RMB2.01 billion.

Matrix

Matrix currently holds our Shares through Matrix IV and Matrix IV-A. The general partner of Matrix IV and Matrix IV-A is Matrix China Management IV, L.P., the general partner of Matrix China Management IV, L.P. is Matrix China IV GP GP, Ltd. Timothy A. Barrows, David Ying Zhang, David Su and Yibo Shao are directors of Matrix China IV GP GP, Ltd. and are deemed to have shared voting power over the Shares held by Matrix IV and Matrix IV-A. As confirmed by Matrix, Matrix IV and Matrix IV-A has 42 and 56 limited partners, respectively, and none of such limited partners holds more than one third of the partnership interest in Matrix IV and Matrix IV-A. Matrix IV and Matrix IV-A are venture capital funds with a primary purpose of making investments in the PRC, among which including investments in at least ten enterprise service companies.

X Adventure

X adventure currently holds our Shares through X Adventure Fund I L.P. The general partner of X Adventure Fund I L.P. is X Adventure Management, L.P., whose general partner is X Adventure GP GP, Ltd. The sole director of X Adventure GP GP, Ltd. is Ms. Xubin Yan and is deemed to have investment voting power over the Shares held by X Adventure. As confirmed by X Adventure, X Adventure focuses on equity investment, among which including investments in at least four enterprise service companies.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shunwei

Shunwei currently holds our Shares through Talented Ventures. Talented Ventures is wholly owned by Shunwei China Internet Fund III, L.P. (the "**Shunwei China**"). The general partner of Shunwei China is Shunwei Capital Partners III GP, L.P., the general partner of which is Shunwei Capital Partners III GP Limited. Silver Unicorn Ventures Limited holds more than 50% of the issued and outstanding shares of Shunwei Capital Partners III GP Limited, and Mr. Koh Tuck Lye is the sole shareholder of Silver Unicorn Ventures Limited. Mr. Koh Tuck Lye co-founded Shunwei in 2011, an early to growth stage venture capital firm with over US\$5 billion funds under management, and has served as its chief executive officer since then, as confirmed by Shunwei. The primary purpose of Shunwei China is to make equity investments in private companies.

Source Code

Source Code currently holds our Shares through its investment vehicles including Geometry, Sonorous, YDZ, Ease Villa, EasyRent, Entropy and Quark. Quark, Ease Villa, Geometry and Sonorous are wholly-owned by Source Code Fund III L.P., Source Code SFP Growth Fund L.P., Source Code Growth Fund I L.P. and Joule Investment L.P., respectively. The general partner of Source Code Fund III L.P., Source Code SFP Growth Fund L.P., Source Code Growth Fund I L.P. and Joule Investment L.P. are Source Code Venture III L.P., Source Code SFP Growth Management L.P., Source Code Growth Fund I Management L.P. and Eternity Investment L.P., respectively. Each of Source Code Venture III L.P., Source Code SFP Growth Management L.P., Source Code Growth Fund I Management L.P., Eternity Investment L.P. is controlled by Source Code Super Holdings Co. YDZ and EasyRent are wholly-owned by Rare Peak Investment L.P. and Canal Investment L.P., respectively. SP-Th Venture Ltd. is the general partner of each of Rare Peak Investment L.P. and Canal Investment L.P., and is in turn wholly owned by Source Code Super Holdings Co. The general partner of Entropy is Llex Holdings Limited, which is wholly owned by Source Code Super Holdings Co. Source Code Super Holdings Co. is beneficially owned by Wheath Holdings Limited, a company incorporated in BVI, which is wholly owned by Enlightenment Trust. Enlightenment Trust is a trust established under the laws of the Island of Jersey, with Mr. Charlie Cao and his families as beneficiaries. Mr. Charlie Cao is the founding partner of Source Code Capital. Prior to founding Source Code Capital, he worked at top-tier investment firms including Sequoia Capital China and Ceyuan Ventures, where he led multiple successful investments. Mr. Cao graduated from Tsinghua University with a bachelor's degree in computer science. As confirmed by Source Code, since inception, Source Code is dedicated to make equity investments in private companies across multiple sectors, spanning industrial digitization, artificial intelligence, robotics, advanced manufacturing, green development, enterprise software and IT service, healthcare and biotech, new consumption and new brands, and other global investment opportunities. In 2017, Source Code noted in its market deal sourcing process that the Group was contemplating its Series C Pre-[REDACTED] Investment. With one of the investment areas of Source Code Capital being enterprise software and IT service, Source Code approached to management of the Group for investment opportunity, and eventually became one of our Pre-[REDACTED] Investors after the completion of our Series-C Pre-[REDACTED] Investment in 2018.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

GIC

GIC currently holds our Shares through City-Scape. GIC is a professional fund management organization that manages Singapore government assets. City-Scape is wholly owned by GIC (Ventures) Pte. Ltd. and managed by GIC Special Investments Private Limited, which is in turn wholly owned by GIC Private Limited (“**GIC Private**”). GIC Private is a global investment firm established in 1981 to manage Singapore’s foreign reserves. It invests internationally in equities, fixed income, foreign exchange, commodities, money markets, alternative investments, real estate and private equity. GIC Private is amongst the world’s largest fund managers.

Seas Investment

Seas Investment currently holds our Shares through Seas Capital. In addition, Seas Investment was authorized by ParmaWay to manage the Shares held by ParmaWay in our Company. ParmaWay is wholly owned by Mr. CHIN LU HUEY, an individual investor and an Independent Third Party. Mr. CHIN LU HUEY has years of investment experience in the field of equity and private investment. Seas Capital is managed by Seas Capital Limited, which in turn is owned by Seas Principal Holdings Limited. Founded in 2019, Seas Capital is a thematic venture capital focusing on structural innovation opportunities whose asset under management exceeds USD100 million, as confirmed by Seas Capital. Based on three investment themes including Globalization, Sustainable Development and Interdisciplinary Application, Seas Capital aims to gain unique insights through in-depth research, and seek long-term value of our time.

Zhongguancun Zhongnuo

The general partner of Zhongguancun Zhongnuo is Beijing Zhongnuo Tongchuang Investment Management Co., Ltd. (北京中諾同創投資基金管理有限公司, the “**Beijing Zhongnuo**”). Beijing Zhongnuo is owned as to 41% and 39% by Tianjin Zhongnuo Tongchuang Management Consulting Co., Ltd. (天津中諾同創管理諮詢有限責任公司, the “**Tianjin Zhongnuo**”) and Zhongguancun Science-Tech Leasing Co., Ltd. (中關村科技租賃股份有限公司, a company listed on the Stock Exchange under the stock code of 1601, the “**Zhongguancun Science-Tech**”), respectively. Tianjin Zhongnuo is owned as to 51% by Mr. Ren Yanhao (任彥浩). Mr. Ren Yanhao has years of investment experience in the field of technology, media and telecom. The largest limited partner of Zhongguancun Zhongnuo is Zhongguancun Science-Tech which holds 49% partnership interests in Zhongguancun Zhongnuo. No other limited partners hold more than one third partnership interests in Zhongguancun Zhongnuo. Apart from our Company, as confirmed by Zhongguancun Zhongnuo, it also invests in another enterprise IT service company.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Innoven

Innoven is wholly owned by INNOVEN CAPITAL PTE. LTD. INNOVEN CAPITAL PTE. LTD. is a leading venture debt and lending platform providing debt capital to start-up and growth stage companies and was owned as to 50% by Zulia Investments Pte Ltd., which is controlled by Temasek and 50% by United Overseas Bank.

RELATIONSHIP AMONG OUR SHAREHOLDERS

Termination of Existing WVR Structure

Our Company adopted a WVR Structure (the “**Existing WVR Structure**”) on September 13, 2018, according to which each of the ordinary Shares held by Dr. Ji and Mr. Zhang were entitled to 10 votes, while each of the remaining ordinary Shares and Preferred Shares held by other Shareholders were entitled to one vote. Under the Existing WVR Structure, each of Dr. Ji and Mr. Zhang are able to exercise 45.06% and 30.04% voting rights of the Company, respectively.

In anticipation of the proposed [REDACTED] and in order to comply with relevant requirements of the Listing Rules, on [●], the Shareholders of our Company resolved to terminate the Existing WVR Structure and adopt the Memorandum and Articles of Association which contains no weighted voting rights structure, effective upon the [REDACTED]. Therefore, the Company will not have any weighted voting right or WVR structure as defined under Rule 8A.02 of the Listing Rules upon [REDACTED].

Mr. Zhang and Huaqing Proxy Arrangement

Prior to the Reorganization, Mr. Zhang and his wholly-owned subsidiary Mr. Zhang Entity entered into an Irrevocable Proxy and Power of Attorney on September 13, 2018, pursuant to which Mr. Zhang and his controlled entity agreed to irrevocably appoint Dr. Ji and his controlled entity as his/its lawful proxy and attorney-in-fact to exercise all voting rights and powers with respect to all shares, options or other securities directly or indirectly held by him/it in the Company and any and all subsidiaries of the Company on all issues (the “**2018 Proxy Arrangement**”).

On February 21, 2022, Mr. Zhang, Mr. Zhang Entity, Huaqing Hongyi and Huaqing Yuyi entered into an Irrevocable Proxy and Power of Attorney, pursuant to which each of Mr. Zhang, Mr. Zhang Entity, Huaqing Hongyi and Huaqing Yuyi acknowledged, ratified, confirmed and agreed that since it/he became a shareholder of the Company or its subsidiary, it/he has appointed, and shall continue to irrevocably appoint Dr. Ji and his wholly owned subsidiary Dr. Ji Entity as his/its lawful proxy and attorney-in-fact to exercise all voting rights and powers with respect to all shares, options or other securities directly or indirectly held by him/it in the Company and any and all subsidiaries of the Company on all issues (the “**Mr. Zhang and Huaqing Proxy Arrangement**”). Mr. Zhang, Mr. Zhang Entity, Huaqing Hongyi and Huaqing Yuyi also confirmed that they have been acting in concert with Dr. Ji and Dr. Ji Entity. The Mr. Zhang and Huaqing Proxy Arrangement superseded the 2018 Proxy Arrangement, and is expected to remain effective after the proposed [REDACTED].

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRE-[REDACTED] OPTION PLAN

The Company’s Pre-[REDACTED] Option Plan was adopted, confirmed and ratified by our Shareholders on February 25, 2022. The purpose of the Pre-[REDACTED] Option Plan is to achieve strategic goals and fuel the development of our Company by providing our Directors, senior management and employees with the opportunity to acquire proprietary interests in our Company. See “Statutory and General Information – D. Pre-[REDACTED] Option Plan” in Appendix IV for details.

PUBLIC FLOAT

Upon the [REDACTED], the Shares held by Dr. Ji Entity, Mr. Zhang Entity, Huaqing Hongyi, Huaqing Yuyi, Source Code, Matrix, and Shunwei, representing [REDACTED]% of the total issued Shares upon [REDACTED] (assuming the [REDACTED] and the options under the Pre-[REDACTED] Option Plan are not exercised), will not be counted towards the public float of the Company. Save as listed above, the Shares held by other existing Shareholders, representing [REDACTED]% of the total issued Shares upon [REDACTED] (assuming the [REDACTED] and the options under the Pre-[REDACTED] Option Plan are not exercised), will be counted towards the public float.^{Note}

Taking into account the above and the Shares to be issued to other public Shareholders pursuant to the [REDACTED], our Directors are of the view that our Company will be able to satisfy the public float requirement under Rule 8.08 of the Listing Rules.

Note: Save as listed below, it is expected that the remaining Shares held by the Shareholders of the Company will not be subject to any lock-up requirements and can be publicly traded immediately after the completion of the [REDACTED] (i) each member of the Single Largest Shareholders’ Group is subject to the lock-up period of six months from the [REDACTED] as required under rule 10.07 of the Listing Rules and Guidance Letter HKEx-GL-89-16; (ii) all Pre-[REDACTED] Investor Shareholders of the Company are subject to a lock-up period of six months from the [REDACTED] according to the shareholders’ agreement; and [REDACTED].

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

- (1) Our Company adopted the Existing WVR Structure, through which each of the ordinary Shares held by Dr. Ji and Mr. Zhang were entitled to 10 votes, while each of the remaining ordinary Shares and the Preferred Shares held by other Shareholders were entitled to one vote. Under the Existing WVR Structure and as of the Latest Practicable Date, each of Dr. Ji and Mr. Zhang are able to exercise 45.06% and 30.04% voting rights of the Company, respectively. Please see “– Relationship Among Our Shareholders” in this section.
- (2) Pursuant to the Mr. Zhang and Huaqing Proxy Arrangement, each of Mr. Zhang, Mr. Zhang Entity, Huaqing Hongyi and Huaqing Yuyi acknowledges, ratifies, confirms and agrees that since it/he became a shareholder of the Company or its subsidiary, it/he has appointed, and shall continue to irrevocably appoint Dr. Ji and Dr. Ji Entity as his/its lawful proxy and attorney-in-fact to exercise all voting rights and powers with respect to all shares, options or other securities directly or indirectly held by him/it in the Company and any and all subsidiaries of the Company on all issues. The Mr. Zhang and Huaqing Proxy Arrangement is expected to remain effective after the proposed [REDACTED].
- (3) Huaqing Yuyi and Huaqing Hongyi are limited partnerships established under the laws of the PRC and served as incentive platforms of the Group.

The general partner of Huaqing Yuyi is Huaqing Kuaiyi, and the only limited partner of Huaqing Yuyi is Huaqing Fuyi. Huaqing Kuaiyi is owned as to 50% and 50% by Zheng Tao (鄭韜), our executive Director, and Geng Chaofeng (耿超鋒), a current employee of our Group, respectively. The general partner of Huaqing Fuyi is Ma Jian (馬健), a current employee of our Group. Huaqing Fuyi has 16 limited partners, consisting of current and past employees and advisers of our Company (the “**Huaqing Yuyi Grantees**”). Each of the Huaqing Yuyi Grantees is an Independent Third Party and was directly granted the underlying entitlements in the Shares by the Company. To the best knowledge of the Company, the Huaqing Yuyi Grantees held the underlying entitlements in the Shares of the Company for the benefit of their own, rather than on trust for any third party.

The general partner of Huaqing Hongyi is Huaqing Kuaiyi, and the only limited partner of Huaqing Hongyi is Huaqing Pengyi. The general partner of Huaqing Pengyi is Li Xiaoping (李小平), an external advisor of the Company, an Independent Third Party. Huaqing Pengyi has six limited partners, consisting of current and past employees and advisers of our Company (the “**Huaqing Hongyi Grantees**”). Each of the Huaqing Hongyi Grantees is an Independent Third Party and was directly granted the underlying entitlements in the Shares by the Company. To the best knowledge of the Company, the Huaqing Hongyi Grantees held the underlying entitlements in the Shares of the Company for the benefit of their own, rather than on trust for any third party.

Huaqing Kuaiyi was established, and its general partner Mr. Zheng Tao was appointed to manage the administrative affairs of Huaqing Hongyi and Huaqing Yuyi on behalf of the Company. The limited partners of Huaqing Hongyi and Huaqing Yuyi, being the Company’s current and past employees and external advisors who obtained interests in the Shares of our Company, have no intention to participate in the management of these two incentive platforms or exercise the voting rights of the Company, but only to enjoy the economic benefit of these incentive shares. As such, Huaqing Yuyi and Huaqing Hongyi have irrevocably appoint Dr. Ji and his wholly owned subsidiary Dr. Ji Entity as their lawful proxy and attorney-in-fact to exercise all voting rights and powers with respect to all Shares held by them in the Company on all issues.

- (4) Immediately after the Reorganization, Source Code held the Shares of our Company through Geometry, Sonorous, YDZ, Ease Villa, EasyRent, Entropy and Quark.
- (5) Immediately after the Reorganization, Matrix held the Shares of our Company through Matrix IV and Matrix IV-A.
- (6) Immediately after the Reorganization, Shunwei held the Shares of our Company through Talented Ventures.
- (7) Immediately after the Reorganization, Koala Fund held the Shares of our Company through Tianjin Tongrun.
- (8) Immediately after the Reorganization, GIC held the Shares of our Company through City-Scape.
- (9) Immediately after the Reorganization, Hongtai held the Shares of our Company through Beijing Zaishun Yidian.
- (10) Immediately after the Reorganization, Seas Investment held the Shares of our Company through Seas Capital. In addition, Seas Investment was authorized by ParmaWay to manage the Shares held by ParmaWay in our Company.
- (11) Immediately after the Reorganization, X Adventure held the Shares of our Company through X Adventure Fund I L.P.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

- (1) In anticipation of the proposed [REDACTED] and in order to comply with relevant requirements of the Listing Rules, on [●], the Shareholders of our Company resolved to terminate the Existing WVR Structure effective upon the [REDACTED].
- (2) See the corresponding notes under section “– Corporate structure after the Reorganization and before the [REDACTED].”
- (3) The shareholding percentage of each Shareholder as listed above is calculated without considering [REDACTED].

COMPLIANCE WITH INTERIM GUIDANCE AND GUIDANCE LETTERS

On the basis that (i) the consideration for the Pre-[REDACTED] Investments was irrevocably settled more than 28 clear days before the date of our first submission of the [REDACTED] to the Stock Exchange in relation to the [REDACTED] and (ii) the special rights granted to the Pre-[REDACTED] Investors and the Existing WVR Structure will be suspended upon filing of a [REDACTED] and/or shall cease to be effective and be discontinued upon [REDACTED], the Sole Sponsor confirms that the Pre-[REDACTED] Investments are in compliance with the Interim Guidance on Pre-[REDACTED] Investments issued by the Hong Kong Stock Exchange in January 2012 and as updated in March 2017, the Guidance Letter HKEx-GL43-12 issued by the Hong Kong Stock Exchange in October 2012 and as updated in July 2013 and March 2017 and the Guidance Letter HKEx-GL44-12 issued by the Hong Kong Stock Exchange in October 2012 and as updated in March 2017.

PRC LEGAL COMPLIANCE

Our PRC Legal Advisor has confirmed that (i) all relevant approvals or filings have been obtained or made, as applicable, for the changes in share capital and equity transfers in the PRC as mentioned above; (ii) the Reorganization has complied with all applicable laws and regulations in the PRC and we have obtained all necessary approvals from the relevant PRC governmental authorities in relation to the Reorganization; and (iii) the [REDACTED] and the completion of the [REDACTED] do not require the approval from the MOFCOM under current PRC laws.

SAFE Registration in respect of Circular 37 and Circular 13

Pursuant to the Circular on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicle (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the “**Circular 37**”) promulgated by SAFE and which became effective on July 4, 2014, (1) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (2) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, equity transfer or swap, and merger or division. Pursuant to

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Circular 37, failure to comply with these registration procedures may result in penalties. Pursuant to the Circular of SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) (the "Circular 13") promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE branch to local banks where the assets or interest in the domestic entity are located.

As advised by our PRC Legal Advisor, Dr. Ji and Mr. Zhang completed the required registrations under Circular 13 and Circular 37 on January 15, 2016.

Approval in respect of M&A Rules

According to the M&A Rules, a foreign investor is required to obtain necessary approvals when it (1) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (2) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (3) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (4) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special purpose vehicle, or a special purpose vehicle, formed for the listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the [REDACTED] and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies. According to the Notice on Issuing the Guidebook for the Administration of Foreign Investment Admission Management (2008) (關於下發<外商投資准入管理指引手冊>(2008年版)的通知), the M&A Rules are not applicable to the situation where PRC companies or individuals transfer their equity interest in an established foreign-invested enterprise to foreign companies or individuals, regardless of whether there is any related party relationship between the PRC companies or individuals and the foreign companies or individuals, and whether the foreign companies or individuals are existing shareholders or new investors of the established foreign-invested enterprise.

Further, as advised by our PRC Legal Advisor, both Huaqing Edian and Beijing Ediantao were sino-foreign joint venture at the time of the acquisition of their 100% equity interest by Edianzu HK, and the M&A Rules are not applicable to such acquisitions. However, our PRC Legal Advisor further advises that there is uncertainty as to how the M&A Rules will be interpreted or implemented.

BUSINESS

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.

BUSINESS

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."

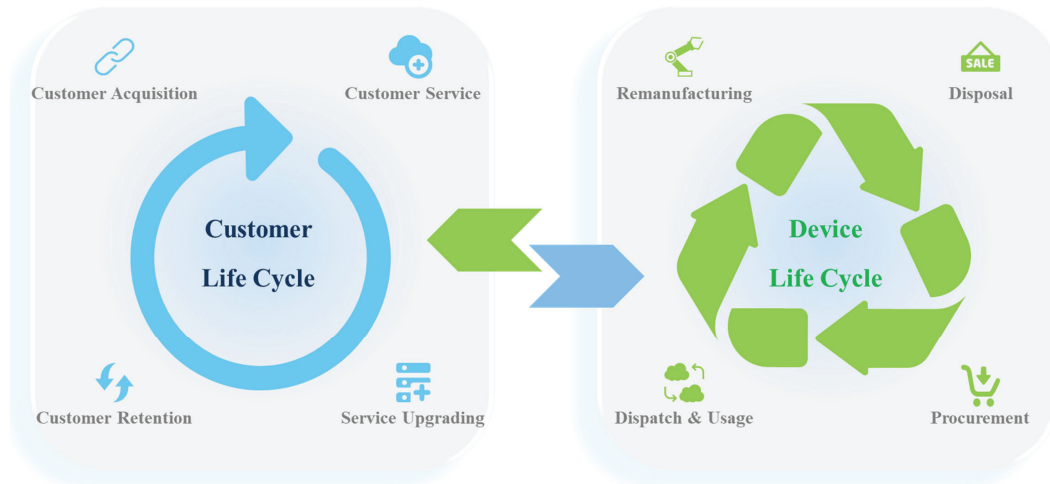
- SMEs in China usually have limited in-house IT operating capabilities to meet increasingly complex office IT needs.
- SMEs in China are usually unable to obtain sufficient external technical support from traditional IT service providers.
- In the absence of one-stop solution, enterprises may incur 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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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

BUSINESS

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

BUSINESS

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.

BUSINESS

- *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

BUSINESS

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

BUSINESS

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.

BUSINESS

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.

OUR BUSINESS

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.

BUSINESS

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

BUSINESS

	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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

- (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	2,014.6	100.0%	6.7	100.0%

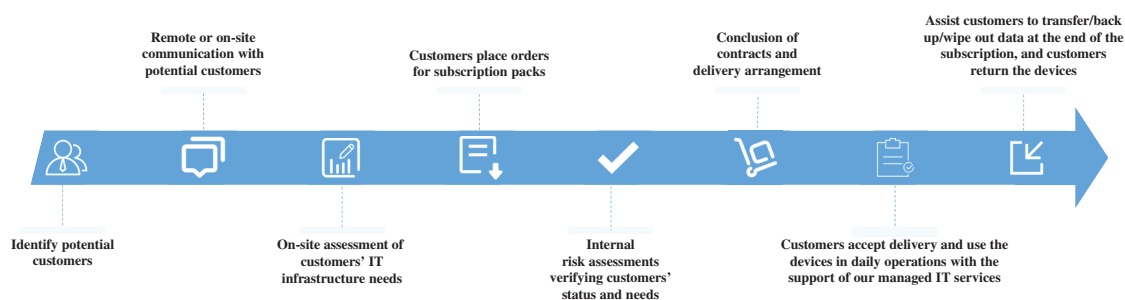
Note:

- (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:



BUSINESS

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.

BUSINESS

- *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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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%.

BUSINESS

- *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.

BUSINESS

	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.

BUSINESS

- 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

BUSINESS

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.

BUSINESS

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

BUSINESS

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.

BUSINESS

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,

BUSINESS

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.

BUSINESS

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

BUSINESS

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

BUSINESS

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.

BUSINESS

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.

BUSINESS

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

BUSINESS

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.

BUSINESS

- *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.

BUSINESS

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.

BUSINESS

- **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.

BUSINESS

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

BUSINESS

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

BUSINESS

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.

BUSINESS

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

BUSINESS

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

BUSINESS

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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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.”

BUSINESS

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.

BUSINESS

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.

BUSINESS

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

BUSINESS

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.

BUSINESS

- 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.

BUSINESS

- *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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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

BUSINESS

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.

BUSINESS

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

BUSINESS

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.

BUSINESS

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

BUSINESS

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”)

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

The Board consists of eight Directors, amongst whom four are executive Directors and four are independent non-executive Directors. The Board is responsible for, and has the general authority of, the management and operation of the Company. Our Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

DIRECTORS

The following table shows the key information of our Directors as of the Latest Practicable Date. All of our Directors meet the qualification requirements under the Listing Rules for their positions.

Name	Age	Date of joining the Group	Date of appointment as Director of our Company	Position	Roles and Responsibility	Relationship with other Directors and senior management
Dr. Ji Pengcheng (紀鵬程)	42	October 15, 2014	November 18, 2015	Chairman of the Board, executive Director and chief executive officer	Responsible for the overall strategic planning, business development and research and development of the Group, chairman of Nomination Committee and member of Remuneration Committee	None
Mr. Zhang Bin (張斌)	41	June 4, 2015	November 18, 2015	Executive Director and chief operating officer	Responsible for the overall operation of the Group, including the establishment, operation and development of the Company's pricing and risk control systems and the corresponding IT system	None
Mr. Zheng Tao (鄭韜)	36	June 8, 2018	February 25, 2022	Executive Director and vice president	Responsible for product management, customer service management, device operation and remanufacturing	None

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Date of joining the Group	Date of appointment as Director of our Company	Position	Roles and Responsibility	Relationship with other Directors and senior management
Mr. Xiang Zheng (向征)	35	August 16, 2021	February 25, 2022	Executive Director and chief financial officer	Responsible for the overall financial management of the Group	None
Mr. Hong Weili (洪偉力)	53	February 25, 2022	February 25, 2022 ^{Note}	Independent non-executive Director	Supervising and offering independent judgment to the Board, member of Audit Committee, Remuneration Committee and Nomination Committee	None
Mr. Song Shiji (宋士吉)	57	February 25, 2022	February 25, 2022 ^{Note}	Independent non-executive Director	Supervising and offering independent judgment to the Board	None
Mr. Wang Jingbo (王靜波)	41	February 25, 2022	February 25, 2022 ^{Note}	Independent non-executive Director	Supervising and offering independent judgment to the Board, chairman of Audit Committee, Remuneration Committee and member of Nomination Committee	None
Ms. Li Dan (李丹)	44	February 25, 2022	February 25, 2022 ^{Note}	Independent non-executive Director	Supervising and offering independent judgment to the Board, member of Audit Committee	None

Note: The appointment of the independent non-executive Directors will take effect on [●], 2023.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Dr. Ji Pengcheng (紀鵬程), aged 42, a Co-founder of our Group, was appointed as the chairman of the Board, an executive Director and the chief executive officer of the Company on November 18, 2015. Dr. Ji has been serving as the chairman of the board of directors and the chief executive officer of Beijing Ediantao since January 2015. In addition, he has been serving as an independent director of Heilongjiang Mohe Rural Commercial Bank Co., Ltd. (黑龍江漠河農村商業銀行股份有限公司) since January 2018.

Dr. Ji has approximately 16 years of experience in information technology, digital innovation and management. Prior to founding the Company, Dr. Ji founded Beijing Huaqing Tianxia Technology Co., Ltd. (北京華清天下科技有限公司), which operated the platform of SKS Boutique Laptop (SKS精品筆記本), a then well-known pre-owned computer retail and service platform in China, in December 2005 and served as its chairman of the board and chief executive officer from December 2005 to December 2014. Dr. Ji has received multiple prestigious awards and recognitions. He was (i) awarded the “Haiying Talent” (海英人才) by the Haidian District People’s Government of Beijing Municipality in November 2017, (ii) named as a “Pioneer” (先鋒人物) by the China Corporate Services Industry List (中國企服行業榜單) in July 2018, (iii) awarded the “2018 Zhongguancun Entrepreneurial Star” (中關村創業之星) by the Administrative Committee of Zhongguancun Haidian Science Park in December 2018, and (iv) selected as a Technological Innovation and Entrepreneurial Talent of the Innovative Talent Promotion Plan (創新人才推進計劃科技創新創業人才) by the Ministry of Science and Technology of the PRC in April 2020. From March 2008 to July 2009, Dr. Ji was also the project manager of a project in the field of precise inventory model supported by the State High-Tech Development Plan (863 Program) (國家高技術研究發展計劃 (863計劃)), a prestigious program funded and administered by the Chinese government, intended to stimulate the development of advanced technologies in a wide range of fields.

Dr. Ji obtained a bachelor’s degree in automation in July 2003 and a doctoral degree in control theory and engineering in July 2009, respectively, from Tsinghua University in Beijing, the PRC.

Mr. Zhang Bin (張斌), aged 41, a Co-founder of our Group, was appointed as an executive Director and the chief operating officer of the Company on November 18, 2015. Mr. Zhang has been serving as an executive director and the chief operating officer of Beijing Ediantao since June 2015.

Mr. Zhang has approximately 15 years of experience in information technology application and business operations. Prior to joining the Group, Mr. Zhang served as staff research in IBM (China) Investment Co., Ltd. (國際商業機器(中國)投資有限公司), a subsidiary of International Business Machines Corporation (“IBM”) (a company listed on the New York Stock Exchange, stock code: IBM) from May 2006 to December 2011. He served as a senior business analyst in Beijing Oak Pacific Interactive Information Technology Co., Ltd. (北京千橡網景科技發展有限公司), a controlled entity of Renren Inc. (a company listed on the New York Stock Exchange, stock code: RENN) from December 2011 to March 2013. He also

DIRECTORS AND SENIOR MANAGEMENT

served as director of big data centre in Anbang Insurance Group Co., Ltd. (安邦保險集團股份有限公司) from March 2013 to May 2015. He participated in the invention and development of eight patents registered in the United States with respect to operation research (運籌學) when he was working at IBM, and has published multiple research papers in the field of statistics and data analysis, all of which were announced in top international academic conferences. In addition, he was awarded the Franz Edelman Award Finalist by the Institute for Operations Research and the Management Science in 2011.

Mr. Zhang obtained a bachelor’s degree in automation in July 2003 and a master’s degree in control theory and engineering in January 2006, respectively, from Tsinghua University in Beijing, the PRC.

Mr. Zheng Tao (鄭韜), aged 36, was appointed as a an executive Director and the vice president of the Company on February 25, 2022. Mr. Zheng joined the Group in June 2018, and has been serving as a director of research and development and vice president of Beijing Ediantao since December 2018.

Mr. Zheng has approximately 13 years of experience in product management. Prior to joining the Company, Mr. Zheng served as a product manager in Tencent Holding Limited (a company listed on the Hong Kong Stock Exchange, stock code: 0700) from July 2008 to May 2010. He also served as a senior director in Sohu.com Inc. (a company listed on the NASDAQ Stock Market, stock code: SOHU) from April 2014 to June 2018.

Mr. Zheng obtained a bachelor’s degree in computer science and technology in July 2008 from Beijing University of Posts and Telecommunications in Beijing, the PRC.

Mr. Xiang Zheng (向征), aged 35, was appointed as an executive Director and the chief financial officer of the Company on February 25, 2022. Mr. Xiang joined the Group in August 2021 and has been serving as the chief financial officer of Beijing Ediantao since August 2021.

Mr. Xiang has over 10 years’ of experience in strategy management, corporate finance, capital markets. Prior to joining the Company, Mr. Xiang served as a senior associate consultant in Boston Consulting Group from September 2010 to June 2013. He joined Bank of America Securities, an investment banking subsidiary of the Bank of America Corporation (a company listed on the New York Stock Exchange, stock code: BAC) in July 2015 and resigned as a vice president in March 2020. He also served as the investment and operation director in Kuaishou Technology (快手科技) (a company listed on the Hong Kong Stock Exchange, stock code: 1024) from April 2020 to August 2021.

Mr. Xiang obtained a bachelor’s degree in information management and information system in July 2008 and a master’s degree in management in July 2010, respectively, from Tsinghua University in Beijing, the PRC. He also obtained a master’s degree in business administration in June 2015 from the University of Chicago, Booth School of Business in Chicago, the United States.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Hong Weili (洪偉力), aged 53, was appointed as an independent non-executive Director of the Company on February 25, 2022, with effect on [●], 2023. Mr. Hong has been serving as a director of Go Network Technology (Shanghai) Co., Ltd. (野去網絡科技(上海)有限公司) since April 2016. He has also been serving as an independent director of Chindata Group Holdings Limited (a company listed on the NASDAQ Stock Market, stock code: CD) since June 2020, an independent director of Dingdong (Cayman) Limited (a company listed on the New York Stock Exchange, stock code: DDL) since June 2021, and an independent non-executive director of ClouDr Group Limited (a company listed on the Hong Kong Stock Exchange, stock code: 9955) since July 2022. Mr. Hong was appointed as a guest professor at the School of Economics of Fudan University in Shanghai, the PRC in December 2016, and a guest professor at the Fanhai International School of Finance of Fudan University in July 2018.

Mr. Hong has approximately 30 years of experience in investment, securities and management. His previous work experience mainly include serving as the business secretary to the general manager and the person in charge of business sector at the Shanghai Stock Exchange from September 1992 to July 1995; the general manager of the Shanghai Securities Business Department of China Venture-Tech Investment Corporation (中國新技術創業投資公司) from November 1996 to March 2004; the deputy general manager of ING Bank, Shanghai Branch from June 2004 to July 2007; the head of China investment banking business sector and the chief representative in Shanghai region of DBS Bank from June 2007 to June 2008; a managing partner and the head of China private equity investment team of KTB Ventures and the general manager of KTB (Chengdu) Investment Management Co., Ltd. (開鉞(成都)創業投資管理有限公司), a subsidiary of KTB Ventures, from June 2008 to April 2012; a partner at Gopher Asset Management Co., Ltd. (歌斐資產管理有限公司) from February 2014 to March 2016; the president and chief research officer of CMC Inc. (華人文化集團公司, formerly known as CMC Holdings (華人文化控股集團)) from October 2016 to September 2018; an independent director of RISE Education Cayman Ltd. (a company listed on the NASDAQ Stock Market, stock code: REDU) from September 2018 to June 2022; a director of Beijing Eastern Star Technology Co., Ltd. (北京東方之星科技股份有限公司) from April 2016 to October 2022; and an independent director of Luolai Lifestyle Technology Co., Ltd. (羅萊生活科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002293) from February 2017 to March 2023.

Mr. Hong obtained a bachelor's degree and a doctoral degree in world economics from Fudan University in the PRC in August 1992 and July 1999, respectively. He received the qualification of independent director of listed companies issued by the Shenzhen Stock Exchange in December 2016.

Notwithstanding Mr. Hong's concurrent directorship as non-executive director of the above two non-listed companies and as independent non-executive director of the above four listed companies, our Directors are of the view that Mr. Hong will be able to devote sufficient time to discharging his duties and responsibilities as an independent non-executive Director of our Company considering: (i) none of his commitments to such other listed or non-listed companies is of an executive or daily management nature and none of them requires his

DIRECTORS AND SENIOR MANAGEMENT

full-time involvement, (ii) Mr. Hong confirmed that he has fulfilled his obligation and attended most of the board meetings of the listed companies where he is an independent non-executive director, and (iii) based on Mr. Hong's years of concurrent directorship in other listed or non-listed companies, he has gained in-depth understanding in his role as director and in estimating the time required for attending to the affairs of each non-listed or listed company, which would enable him to properly discharge his responsibilities as a director for both listed and non-listed companies. Mr. Hong has undertaken to devote sufficient time to discharging his duties and responsibilities as an independent non-executive Director of our Company. The Board believes that Mr. Hong's ample knowledge and expertise in investment, securities and corporate management, as well as his experience acting as independent non-executive director in other listed companies, are invaluable to our Company in terms of corporate governance, investment and capital operations after the [REDACTED].

Our Board will continue to closely monitor the time allocation of Mr. Hong and the other independent non-executive Directors such as the attendance of Board and Board committee meetings and participation in discussions of important matters of our Company to make sure that they will have sufficient time to focus on the matters of our Group. Where necessary, our Board will (i) individually discuss with the independent non-executive Directors on the possibility to reduce the number of external commitments and job duties; and (ii) conduct regular review on the composition of our Board to ensure that the independent non-executive Directors are able to devote sufficient time to discharging their duties.

Mr. Song Shiji (宋士吉), aged 57, was appointed as an independent non-executive Director of the Company on February 25, 2022, with effect on [●], 2023. Mr. Song has served as a professor and doctoral advisor at the Department of Automation of Tsinghua University since December 2006. Mr. Song currently also serves as a responsible scientist in the field of information technology of China Ocean Mineral Resources R&D Association (中國大洋礦產資源研究開發協會) since May 2007, deputy director of the unmanned systems professional committee of the Chinese Institute of Command and Control (中國指揮與控制學會) since November 2019, and a director and the vice president of the deep-sea technology branch of the Chinese Society for Oceanography (中國海洋學會) since April 2021. He has been serving as an associate editor of Artificial Intelligence and Robotics Research Journal (人工智能與機器人研究) since August 2012, and a member of the editorial board of IEEE Transactions on Systems, Man, and Cybernetics: Systems since July 2017.

Mr. Song has approximately 21 years of experience in artificial intelligence and information technology. His previous work experience mainly include: serving as an associate professor of Harbin Institute of Technology (哈爾濱工業大學) from July 1994 to June 1996; a postdoctoral researcher of the Ocean Major of the Ocean University of China (中國海洋大學) from September 1996 to September 1998; a postdoctoral researcher of the Control Theory and Application Major of the Southeast University (東南大學) from November 1998 to December 2000; and an associate researcher of the Department of Automation of Tsinghua University (清華大學) from January 2001 to January 2004. He also served as a member of editorial board of Journal of Automatica Sinica (自動化學報) from January 2011 to December 2016, and a member of the editorial board of SCIENTIA SINICA Informationis (中國科學: 信息科學) from

DIRECTORS AND SENIOR MANAGEMENT

January 2013 to December 2017. Mr. Song was awarded the first prize of Science and Technology (Natural Science) of Jiangsu Province (江蘇省科學技術(自然類)一等獎) by Jiangsu Provincial People’s Government in December 2006 for his research paper, Analysis and Robust Control of Complex Dynamic and Nonlinear Systems (複雜動態系統及非線性系統的分析與魯棒控制), the second prize of Science and Technology (Natural Science) of Heilongjiang Province (黑龍江省科學技術(自然類)二等獎) by Heilongjiang Provincial People’s Government in August 2006 for his research paper, Differential Inclusions in Generalized Functional Spaces and Related Problems (泛函空間中的微分包含及其相關問題), the second prize of Natural Science of the Ministry of Education (教育部自然科學獎二等獎) by the Ministry of Education, PRC in February 2007 for his research paper, Study of Asymptotic Behaviour and Stabilization of Discontinuous Systems (不連續系統的漸近行為與鎮定性研究), and the second prize of Natural Science of the Ministry of Education by Ministry of Education, PRC in January 2008 for his research paper, Soft Computing Technology and its Application in Complex and Uncertain Environment (複雜不確定環境下的軟計算技術及其應用). He received the Distinguished Visiting Fellowship award by the Royal Academy of Engineering in the United Kingdom in July 2009. He was awarded the first prize of Natural Science of the Chinese Association for Artificial Intelligence (中國人工智能學會自然科學一等獎) by the Chinese Association for Artificial Intelligence in October 2018 for his research paper, Modelling Theory and Intelligent Learning Methods for Uncertain Nonlinear Systems (不確定非線性系統建模理論與智能學習方法), and the second prize of Natural Science of Shandong Province (山東省自然科學二等獎) by Shandong Provincial People’s Government in December 2020 for his research paper, Stability and Control of Nonlinear Impulsive Systems in Complex Environments (複雜環境下非線性脈衝系統的穩定性與控制).

Mr. Song obtained a bachelor’s degree in mathematics from Harbin Normal University in Harbin, the PRC in July 1986. He obtained a master’s degree and a doctoral degree in basic mathematics from Harbin Institute of Technology in Harbin, the PRC in May 1989 and May 1996, respectively.

Mr. Wang Jingbo (王靜波), aged 41, was appointed as an independent non-executive Director of the Company on February 25, 2022, with effect on [●], 2023. Mr. Wang Jingbo owns the financial management expertise as required under Rules 3.10(2) of the Listing Rules. Mr. Wang has been serving as the chief financial officer of Agora, Inc. (a company listed on the NASDAQ Stock Market, stock code: API) since January 2020. He has also been serving as an independent director of ATRenew Inc. (a company listed on the New York Stock Exchange, stock code: RERE) since June 2021.

Mr. Wang has approximately 12 years of experience in financial management, investment and capital market. He worked at Deutsche Bank from July 2009 to October 2014, with his last position as vice president in the corporate finance division. He served as the chief financial officer of Yintech Investment Holdings Limited (a company previously listed on the NASDAQ Stock Market under the stock code of YIN and delisted in November 2020) from October 2014 to February 2018, and as a director and the chief financial officer of Qutoutiao Inc. (a company listed on the NASDAQ Stock Market, stock code: QTT, “Qutoutiao”) from February 2018 to January 2020.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang graduated from Tsinghua University in Beijing, PRC, with a bachelor’s degree in engineering in July 2003 and obtained his master’s degree of philosophy from the University of Hong Kong in December 2005. He was awarded a PhD degree in management studies from the University of Oxford in the United Kingdom in March 2010.

Mr. Wang was named as one of the defendants in an ongoing securities class action lawsuit (the “**Lawsuit**”) against Qutoutiao, originally filed on August 20, 2020 at the United States District Court for the Southern District of New York. Mr. Wang, who served as a director and the chief financial officer of Qutoutiao from February 2018 to January 2020 together with Qutoutiao, its certain other current and former directors, senior officers including chief financial officers, certain employees, and the underwriters of Qutoutiao’s initial public offering are named as defendants in the Lawsuit (the “**Defendants**”).

The plaintiffs of the Lawsuit alleged that registration statement and document for Qutoutiao’s initial public offering in September 2018, and its public filings including annual report and financial results press release, contain materially false and/or misleading statements or omissions. In specifically, the plaintiff claimed that Qutoutiao failed to disclose that it replaced its advertising agent with a related party, thereby bypassing third-party oversight of the content and quality of the advertisements, and placed advertisement on its mobile app for products whose claims could not be substantiated, which would possibly get Qutoutiao exposed to increasing regulatory scrutiny and reputational harm, and Qutoutiao’s advertising revenue was reasonably likely to decline. As such, the claim alleged that Qutoutiao’s positive statements in its public disclosure on Qutoutiao’s business, operations and prospects were materially misleading and/or lacked reasonable basis. No allegation was made solely against Mr. Wang Jingbo. During his previous tenure at Qutoutiao as a director and the chief financial officer, Mr. Wang was primarily responsible for its overall financial management, financial reporting and capital market related matters, as well as providing strategic and professional judgment and guidance to Qutoutiao’s board of directors. As advised by Mr. Wang, he was not directly responsible for, or otherwise involved in, the alleged matters in the Lawsuit, such as selecting advertising agents, reviewing qualifications or background of advertising agents, or reviewing the content, authenticity or compliance of advertisements on Qutoutiao’s content platforms.

As of the Latest Practicable Date, the Lawsuit is at a preliminary stage and Qutoutiao has filed motion to dismiss the Lawsuit on the ground of no well-pleaded factual allegations by the plaintiffs. No ruling has been made by the court, and Mr. Wang has not been served any associated notice or legal documents in respect of the Lawsuit.

Notwithstanding the Lawsuit above, the Directors are of the view that the Lawsuit would not affect the suitability of Mr. Wang as a Director of the Company under Rules 3.08 and 3.09 of the Listing Rules based on the foregoing.

DIRECTORS AND SENIOR MANAGEMENT

Based on the currently available information and independent due diligence work conducted by the Sole Sponsor, including but not limited to, (1) reviewing the court documents made available to the Sole Sponsor and public records and announcements issued by Qutoutiao relating to the Lawsuit in the United States, (2) conducting background searches and litigation searches on Mr. Wang, (3) reviewing representations made by Mr. Wang during the due diligence interviews, and (4) discussing with the Company to understand that the Directors are of the view that the Lawsuit would not affect on the suitability of Mr. Wang as a Director of the Company under Rules 3.08 and 3.09 of the Listing Rules, the Sole Sponsor concurs with the Directors' view on the suitability of Mr. Wang to serve as a Director as stated above, with the qualification that Mr. Wang will not ultimately be personally liable for the Class Action for any reason that implicates their integrity, competence and suitability to act as a Director.

Ms. Li Dan (李丹), aged 44, was appointed as an independent non-executive Director of the Company on February 25, 2022, with effect on [●], 2023. Ms. Li has been serving as an independent director of Beijing SOJO Electric Co., Ltd. (北京雙傑電氣股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300444) since September 2018, an independent director of Lianyi Information Technology Co., Ltd. (聯奕科技股份有限公司) since September 2020, and an independent director of Oriental Micro Silver Technology Co., Ltd. (東方微銀科技股份有限公司) since December 2020. Ms. Li has been an associate professor of the School of Economics and Management of Tsinghua University since December 2010.

Ms. Li has approximately 15 years of experience in economics, accounting and management. Her previous work experience mainly includes serving as an assistant professor of the School of Economics and Management of Tsinghua University (清華大學) from October 2007 to December 2010, an independent director of China Television Media, Ltd. (中視傳媒股份有限公司) (a company listed on Shanghai Stock Exchange, stock code:600088) from September 2014 to June 2020, an independent director of COFCO Tunhe Sugar Co., Ltd. (中糧屯河糖業股份有限公司) (currently known as COFCO Sugar Holding Co., Ltd. (中糧糖業控股股份有限公司), a company listed on Shanghai Stock Exchange, stock code: 600737) from September 2014 to January 2020, an independent director of Xingyuan Environment Technology Co., Ltd. (興源環境科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300266) from May 2019 to July 2022, and an independent director of Bozhou Yaodu Rural Commercial Bank Co., Ltd. (亳州藥都農村商業銀行股份有限公司) from October 2016 to February 2023. Ms. Li currently serves as an independent director of GreenNovo Environmental Technology Co., Ltd. (鑫聯環保科技股份有限公司) since September 2018.

Ms. Li obtained a bachelor's degree in international trade in July 2001 from School of Economics and Management of Beijing Institute of Technology in Beijing, the PRC, and a PhD degree in accounting in August 2007 from Scheller College of Business of Georgia Institute of Technology, in Georgia State, the United States.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, none of our Directors held any directorship in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this document, and to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there are no other matters with respect to the appointment of the Directors that need to be brought to the attention of our Shareholders and there is no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

SENIOR MANAGEMENT

The following table shows the key information of our senior management:

Name	Age	Date of joining the Group	Date of appointment as senior management of our Company	Position	Roles and Responsibility	Relationship with other Directors and senior management
Dr. Ji Pengcheng (紀鵬程)	42	October 15, 2014	November 18, 2015	Chairman of the Board, executive Director and chief executive officer	Responsible for the overall strategic planning, business development and research and development of the Group, chairman of Nomination Committee and member of Remuneration Committee	None
Mr. Zhang Bin (張斌)	41	June 4, 2015	November 18, 2015	Executive Director and chief operating officer	Responsible for the overall operation of the Group including the establishment, operation and development of the Company's pricing and risk control systems and the corresponding IT system	None
Mr. Zheng Tao (鄭韜)	36	June 8, 2018	February 25, 2022	Executive Director and vice president	Responsible for product management, customer service management, device operation and remanufacturing	None
Mr. Xiang Zheng (向征)	35	August 16, 2021	February 25, 2022	Executive Director and chief financial officer	Responsible for the overall financial management of the Group	None

DIRECTORS AND SENIOR MANAGEMENT

Dr. Ji Pengcheng (紀鵬程), is an executive Director, chairman of the Board, and the chief executive officer of our Company. For details of the biography of Dr. Ji, see “– Executive Directors.”

Mr. Zhang Bin (張斌), is an executive Director and the chief operating officer of our Company. For details of the biography of Mr. Zhang, see “– Executive Directors.”

Mr. Zheng Tao (鄭韜), is a an executive Director and the vice president of our Company. For details of the biography of Mr. Zheng, see “– Executive Directors.”

Mr. Xiang Zheng (向征), is an executive Director and the chief financial officer of our Company. For details of the biography of Mr. Xiang, see “– Executive Directors.”

JOINT COMPANY SECRETARIES

Ms. Qiao Yanan (喬雅楠), aged 33, was appointed as one of the joint company secretaries of our Company in February 2022. Ms. Qiao joined our Group in October 2020 and has since then served as investor relations director and head of capital market department of our Group. Prior to joining the Group, Ms. Qiao served as capital operation director and head of investment, acquisition and listing of Zhilan Technology Group Co., Ltd. (芝蘭科技集團有限公司) from April 2018 to October 2020; and as the co-founder of UIN Enterprise Ltd., and UIN Education Community Interest Company which was the sponsor of The Royal Institution, in charge of overseas investment and public education sectors. Ms. Qiao holds a Legal Profession Qualification Certificate (法律職業資格證書) granted by the Ministry of Justice of the PRC (中華人民共和國司法部) in March 2020.

Ms. Chu Cheuk Ting (朱卓婷) was appointed as one of the joint company secretaries of our Company in February 2022. Ms. Chu is currently the manager of the listing services department of TMF Hong Kong Limited. She is an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and the Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. Ms. Chu currently serves as the company secretary of TANSH Global Food Group Co., Ltd (a company listed on the Hong Kong Stock Exchange, stock code: 3666).

COMPETING INTEREST

None of our Directors had interests in any other companies as at the Latest Practicable Date that may, directly or indirectly, compete with our business and would require disclosure under Rule 8.10 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

In accordance with relevant PRC laws, regulations, the Articles of Association and the corporate governance practice prescribed in the Listing Rules, we have formed three board committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee.

Audit Committee

We have established an audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules and with written terms of references in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board. The Audit Committee consists of three members, Mr. Wang Jingbo, Mr. Hong Weili and Ms. Li Dan. Mr. Wang Jingbo currently serves as the chairman of the Audit Committee and is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Nomination Committee

We have established a nomination committee (the “**Nomination Committee**”) in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board regarding the appointment of Directors and Board succession. The Nomination Committee will also consider the candidate(s)’ ability to devote sufficient time to fulfil the duties of the Directors and members of the special committees of the Board and consider the candidate(s) of independent non-executive Director(s)’ ability to devote sufficient time to the Board if the candidate(s) will be holding his/her seventh (or more) listed company directorships. The Nomination Committee consists of three members, including Dr. Ji, Mr. Wang Jingbo and Mr. Hong Weili. Dr. Ji currently serves as the chairman of the Nomination Committee.

Remuneration Committee

We have established a remuneration committee (the “**Remuneration Committee**”) in compliance with Rule 3.25 of the Listing Rules and with written terms of references in compliance with the Code on Corporate Governance set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The Remuneration Committee consists of three members, including Mr. Wang Jingbo, Dr. Ji and Mr. Hong Weili. Mr. Wang Jingbo currently serves as the chairman of the Remuneration Committee.

DIRECTORS AND SENIOR MANAGEMENT

BOARD DIVERSITY

We [have adopted] a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, accounting and financial management, sales and marketing and corporate governance in addition to industry experience relevant to our Group's operations and business. They obtained degrees in various majors including automation and engineering, computer science and technology, economics, accounting and business administration. We have four independent non-executive Directors with various industry backgrounds, representing more than one third of the members of our Board. Furthermore, our Board has a diverse age representation. Taking into account our existing business model as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy. We currently have seven male Directors and one female Director. We will continue to take steps to promote gender diversity at the Board. After the [REDACTED], we will strive to achieve gender balance of the Board through certain measures to be implemented by our nomination committee in accordance with our board diversity policy. In particular, we will actively identify female individuals suitably qualified to become our Board members and we aim to achieve a target of approximately 20% female representation in our Board within five years of [REDACTED]. To further ensure gender diversity of our Board in a long run, our Group will also identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be reviewed by our nomination committee periodically in order to develop a pipeline of potential successors to our Board to promote gender diversity.

Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a director of the Company, the nomination committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. Pursuant to the board diversity policy, the nomination committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption. The nomination committee will also include in our annual reports a summary of the board diversity policy, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives. Moreover, the nomination committee is delegated by the Board to take opportunity to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Director appointments so as to achieve an appropriate balance of gender diversity with reference to Shareholders' expectation and international and local recommended best practices.

DIRECTORS AND SENIOR MANAGEMENT

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

For details of the service contracts and appointment letters that we have entered into with our Directors, see “Appendix IV – Statutory and General Information – C. Further Information about our Directors – 1. Particulars of Directors’ service contracts and appointment letters.”

The aggregate amount of remuneration including salaries and bonuses, retirement benefits scheme contributions and/or share-based payments we paid to our Directors in respect of the years ended December 31, 2020, 2021 and 2022 were approximately RMB58.3 million, RMB6.4 million and RMB7.6 million, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in Accountants’ Report in Appendix I to this document.

Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Group to our Directors for the financial year ending December 31, 2023 is expected to be approximately RMB4.4 million.

For the years ended December 31, 2020, 2021 and 2022, the aggregate amount of the remuneration paid to the five highest paid individuals of our Group, including the Directors, were RMB61.4 million, RMB8.2 million and RMB15.7 million, respectively. Further details on the remuneration of the five highest paid individuals during the Track Record Period is set out in Accountants’ Report in Appendix I to this document.

During the Track Record Period, no remuneration was paid to any Director or any of the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to or receivable by any Director or any of the five highest paid individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

PRE-[REDACTED] OPTION PLAN

In order to incentivize our Directors, senior management and other employees for their contribution to our Group and to attract and retain suitable personnel to our Group, we adopted the Pre-[REDACTED] Option Plan. For further details, see “Appendix IV – Statutory and General Information – D. Pre-[REDACTED] Option Plan.”

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our compliance Adviser (the “**Compliance Adviser**”) pursuant to Rule 3A.19 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rules 3A.23 of the Listing Rules, the Compliance Adviser will advise the Company in certain circumstances and/or matters including:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where the business activities, development or results of the Group deviate from any forecast, estimate or other information in this document; and
- (d) where the Stock Exchange makes an inquiry to the Company under Rule 13.10 of the Listing Rules.

The term of the appointment of our Compliance Adviser shall commence on the [REDACTED] and end on the date when we distribute our annual report in respect of our financial results for the first full financial year commencing after the [REDACTED], and such appointment may be subject to extension by mutual agreement.

CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, the Company intends to comply with the corporate governance requirements under the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules after the [REDACTED].

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group to achieve effective accountability. Our Company intends to comply with all code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules after the [REDACTED] except for Code Provision C.2.1 of Part 2 of the Corporate Governance Code, which provides that the roles of chairman of the board and chief executive officer should be separate and should not be performed by the same individual.

DIRECTORS AND SENIOR MANAGEMENT

The roles of chairman of the Board and chief executive officer are currently performed by Dr. Ji. In view of Dr. Ji's substantial contribution to our Group since our establishment and his extensive experience, we consider that having Dr. Ji acting as both our chairman and chief executive officer will provide strong and consistent leadership to our Group and facilitate the efficient execution of our business strategies. We consider it appropriate and beneficial to our business development and prospects that Dr. Ji continues to act as both our chairman and chief executive officer after the [REDACTED], and therefore currently do not propose to separate the functions of chairman and chief executive officer.

While this would constitute a deviation from Code Provision C.2.1 of Part 2 of the Corporate Governance Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of our Company, given that: (i) there are sufficient checks and balances in the Board, as a decision to be made by our Board requires approval by at least a majority of our Directors, and our Board comprises four independent non-executive Directors, which is in compliance with the requirement under the Listing Rules; (ii) Dr. Ji and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high calibre individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDERS GROUP

OVERVIEW

On September 13, 2018, our Company adopted a WVR Structure (the “**Existing WVR Structure**”), through which each of the ordinary Shares held by our Co-founders Dr. Ji and Mr. Zhang were entitled to 10 votes, while each of the remaining ordinary Shares and the Preferred Shares were entitled to one vote. Under the Existing WVR Structure, each of Dr. Ji and Mr. Zhang are able to exercise 45.06% and 30.04% voting rights of the Company, respectively. On the even date, Mr. Zhang and his wholly owned subsidiary Mr. Zhang Entity entered into an Irrevocable Proxy and Power of Attorney, pursuant to which Mr. Zhang and Mr. Zhang Entity agreed to irrevocably appoint Dr. Ji and Dr. Ji Entity as his/its lawful proxy and attorney-in-fact to exercise all voting rights and powers with respect to all shares, options or other securities directly or indirectly held by him/it in the Company and any and all subsidiaries of the Company on all issues (the “**2018 Proxy Arrangement**”).

On February 21, 2022, Mr. Zhang, Mr. Zhang Entity, Huaqing Hongyi and Huaqing Yuyi entered into an Irrevocable Proxy and Power of Attorney, pursuant to which each of Mr. Zhang, Mr. Zhang Entity, Huaqing Hongyi and Huaqing Yuyi acknowledged, ratified, confirmed and agreed that since it/he became a shareholder of the Company and/or its subsidiary, it/he has appointed, and shall continue to irrevocably appoint Dr. Ji and his wholly owned subsidiary Dr. Ji Entity as his/its lawful proxy and attorney-in-fact to exercise all voting rights and powers with respect to all shares, options or other securities directly or indirectly held by him/it in the Company and any and all subsidiaries of the Company on all issues (the “**Mr. Zhang and Huaqing Proxy Arrangement**”). Mr. Zhang and Huaqing Proxy Arrangement superseded the 2018 Proxy Arrangement. The Mr. Zhang and Huaqing Proxy Arrangement is expected to continue upon the [REDACTED]. Mr. Zhang, Mr. Zhang Entity, Huaqing Hongyi and Huaqing Yuyi also confirmed that they are deemed to have been acting in concert with Dr. Ji and Dr. Ji Entity. In light of the Existing WVR Structure and the Mr. Zhang and Huaqing Proxy Arrangement, as of the Latest Practicable Date, Dr. Ji is entitled to exercise 75.44% voting rights attached to 13.90% Shares of the Company, among which, Dr. Ji is entitled to exercise (i) 45.06% voting rights attached to 13.90% Shares of the Company indirectly through Dr. Ji Entity; (ii) 30.04% voting rights attached to 9.27% Shares of the Company held by Mr. Zhang Entity pursuant to the Mr. Zhang and Huaqing Proxy Arrangement; and (iii) 0.34% voting rights attached to 1.06% Shares of the Company held by Huaqing Hongyi and Huaqing Yuyi pursuant to the Mr. Zhang and Huaqing Proxy Arrangement. In addition, Huaqing Kuaiyi is the general partner of each of Huaqing Hongyi and Huaqing Yuyi. Therefore, Dr. Ji, Dr. Ji Entity, Mr. Zhang, Mr. Zhang Entity, Huaqing Hongyi, Huaqing Yuyi and Huaqing Kuaiyi constitute our Single Largest Shareholders Group and are treated as a group of our controlling shareholders before the [REDACTED].

On [●], the Shareholders of our Company resolved to terminate the Existing WVR Structure effective upon the [REDACTED]. Immediately after the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and no Shares are issued pursuant to the Pre-[REDACTED] Option Plan), Dr. Ji will be entitled to exercise [REDACTED]% voting rights of the Shares of the Company, including (i) [REDACTED]% voting rights of the Shares of the Company indirectly through Dr. Ji Entity; (ii)

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDERS GROUP

[REDACTED]% voting rights of the Shares the Company held by Mr. Zhang Entity pursuant to the Mr. Zhang and Huaqing Proxy Arrangement; and (iii) [REDACTED]% voting rights of the Shares of the Company held by Huaqing Hongyi and Huaqing Yuyi pursuant to the Mr. Zhang and Huaqing Proxy Arrangement. As such, Dr. Ji, Dr. Ji Entity, Mr. Zhang, Mr. Zhang Entity, Huaqing Hongyi, Huaqing Yuyi and Huaqing Kuaiyi will no longer constitute a group of our controlling shareholders, but will remain as our Single Largest Shareholders Group upon completion of the [REDACTED].

NO COMPETITION AND CLEAR DELINEATION OF BUSINESS

Each member of our Single Largest Shareholders Group confirms that, as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business.

INDEPENDENCE FROM OUR SINGLE LARGEST SHAREHOLDERS GROUP

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Single Largest Shareholders Group and their close associates after the [REDACTED].

Management Independence

Our business is managed and conducted by our Board and senior management. As at the date of this document, our Board consist of eight Directors comprising four executive Directors and four independent non-executive Directors. For more information, see "Directors and Senior Management." Notwithstanding that our executive Directors, Dr. Ji and Mr. Zhang, are members of our Single Largest Shareholders Group, our Directors are of the view that our Company is capable of maintaining management independence due to the following reasons:

- (a) each Director is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (b) we have four independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (c) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions;

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDERS GROUP

- (d) Our Board has a balanced composition of executive Directors and independent non-executive Directors which ensures the independence of the Board in making decisions affecting our Company. Specifically, (a) our independent non-executive Directors are not associated with the members of the Single Largest Shareholders Group or their respective close associates; (b) our independent non-executive Directors account for more than one-third of the Board; and (c) our independent non-executive Directors individually and collectively possess the requisite knowledge and experience and will be able to provide professional and experienced advice to our Company. In conclusion, the Directors believe that our independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of our Board and protect the interest of our Company and our Shareholders as a whole; and

- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Single Largest Shareholders Group which would support our independent management. See “– Corporate Governance Measures” in this section for further information.

Based on the above, our Directors are satisfied that they are able to perform their managerial roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from the Single Largest Shareholders Group after the [REDACTED].

Operational Independence

We have full rights to make business decisions and to carry out our business independently from our Single Largest Shareholders Group and their respective close associates. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Single Largest Shareholders Group and their respective close associates after the [REDACTED]:

- (a) we are not reliant on trademarks owned by our Single Largest Shareholders Group, or by other companies controlled by our Single Largest Shareholders Group;
- (b) we are the holder of all relevant licenses material to the operation of our business;
- (c) we have independent access to our customers and suppliers;
- (d) we have sufficient capital, facilities, devices and employees to operate our business independently from our Single Largest Shareholders Group;
- (e) we have our own administrative and corporate governance infrastructure, including our own accounting, legal and human resources departments; and
- (f) none of our Single Largest Shareholders Group or their respective close associates have any interests in any business which competes or is likely to compete with the business of our Group.

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDERS GROUP

Based on the above, our Directors believe that we are able to operate independently of our Single Largest Shareholders Group.

Financial Independence

During the Track Record Period, Dr. Ji and Mr. Zhang provided guarantees over certain loans and credit lines for the benefit of our Group (the "**Founders' Guarantees**") which applied in our ordinary course of business. The Founders' Guarantees are on normal commercial terms and are not secured by any assets of the Group, therefore are fully exempted connected transactions in accordance with rule 14A.90 of the Listing Rules. As of the Latest Practicable Date, we had an aggregate of approximately RMB1,345.3 million outstanding loans and credit lines guaranteed by, among others, Dr. Ji and/or Mr. Zhang (the "**Founders Guaranteed Loans**"), of which the latest maturity date is in October 2025.

Our Directors are of the view that premature replacement or discharge of the Founders' Guarantees would be impractical and unduly onerous to the Group and would not be in the best interests of our Group and our Shareholders, considering that early replacement or discharge of the Founders Guaranteed Loans would require renegotiation of the terms with the relevant banks, and the renegotiation would take considerable time which may affect our normal operation. Therefore, we currently do not intend to release or replace the Founders' Guarantees before the Founders Guaranteed Loans become due.

Notwithstanding the above, our Directors are of the view that we are financially independent of our Single Largest Shareholders Group and/or their close associates for the following reasons:

- (1) we have sufficient capital to operate our business independently. As of the Latest Practicable Date, our banking deposit balance amounted to approximately RMB590.51 million. We are capable of obtaining, if necessary, financing from Independent Third Parties banks without relying on any guarantee or security provided by our Single Largest Shareholders Group and/or their close associates. In particular, as of the Latest Practicable Date, we have obtained letters from independent third-party commercial banks who confirmed that they were willing to provide our Group with loans in the amount of RMB2.08 billion in aggregate (the "**Loans**"), without any assistance, guarantee or security from our Single Largest Shareholders Group, subject to regulatory requirements, negotiation of the detailed terms and the customary credit policies of such banks. Having considered the financial status and business development of the Group, the Company considers that it can obtain the Loans on comparable terms as the existing loans obtained by the Group. Such loans from independent commercial banks can be used as our working capital, and are sufficient to cover the Founders' Guarantees; and

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDERS GROUP

- (2) we have an independent financial system and make financial decisions according to our Group's own business needs independently. We have internal control and accounting systems and an independent finance department for discharging the treasury function. None of our Single Largest Shareholders Group and/or their close associates interferes with our use of funds.

Based on the above, our Directors are of the view that we are capable of carrying on our business independently of, and do not place undue reliance on, our Single Largest Shareholders Group and their respective close associates after the [REDACTED].

CORPORATE GOVERNANCE MEASURES

Our Company and Directors recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders.

We have adopted the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Single Largest Shareholders Group:

- (a) where a Shareholders' meeting is to be held for considering proposed transactions in which our Single Largest Shareholders Group or any of their respective associates has a material interest, the relevant Single Largest Shareholders Group or associates will not vote on the relevant resolutions;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with our Single Largest Shareholders Group or any of their respective associates, our Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Group and our Single Largest Shareholders Group and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) our Single Largest Shareholders Group will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;
- (e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDERS GROUP

- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expense;
- (g) we have appointed Somerley Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (h) we have established our Audit Committee, Nomination Committee and Remuneration Committee with written terms of reference in compliance with the Listing Rules and the Code on Corporate Governance and Corporate Governance Report in Appendix 14 to the Listing Rules.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Single Largest Shareholders Group, and to protect our minority Shareholders' interests after the [REDACTED].

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] and assuming that the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Option Plan, the following persons will have an interest or a short position in our Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of interest	Immediately following the completion of the Share Subdivision and before the [REDACTED] ¹		Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)	
		Number of Shares	Approximate percentage of shareholding in our Company	Number of Shares	Approximate percentage of shareholding in our Company
Dr. Ji	Interest in controlled corporation ²	77,372,780	13.90%	77,372,780	[REDACTED]%
	Interests held jointly with other person ³	57,502,580	10.33%	57,502,580	[REDACTED]%
Dr. Ji Entity	Beneficial owner ²	77,372,780	13.90%	77,372,780	[REDACTED]%
	Interests held jointly with other person ³	57,502,580	10.33%	57,502,580	[REDACTED]%
Mr. Zhang	Interest in controlled corporation ⁴	51,581,860	9.27%	51,581,860	[REDACTED]%
	Interests held jointly with other person ³	83,293,500	14.96%	83,293,500	[REDACTED]%
Mr. Zhang Entity	Beneficial owner ⁴	51,581,860	9.27%	51,581,860	[REDACTED]%
	Interests held jointly with other person ³	83,293,500	14.96%	83,293,500	[REDACTED]%
Huaqing Kuaiyi	Interest in controlled Corporation ³	5,920,720	1.06%	5,920,720	[REDACTED]%
	Interests held jointly with other person ³	128,954,640	23.17%	128,954,640	[REDACTED]%
Huaqing Hongyi	Beneficial owner	2,562,140	0.46%	2,562,140	[REDACTED]%
	Interests held jointly with other person ³	132,313,220	23.77%	132,313,220	[REDACTED]%
Huaqing Yuyi	Beneficial owner	3,358,580	0.60%	3,358,580	[REDACTED]%
	Interests held jointly with other person ³	131,516,780	23.62%	131,516,780	[REDACTED]%
Source Code ⁵	Beneficial owner	121,789,300	21.88%	121,789,300	[REDACTED]%
Matrix ⁶	Beneficial owner	77,440,370	13.91%	77,440,370	[REDACTED]%
Shunwei	Beneficial owner	61,847,550	11.11%	61,847,550	[REDACTED]%
Koala Fund ⁷	Beneficial owner	57,914,450	10.40%	57,914,450	[REDACTED]%
GIC ⁸	Beneficial owner	47,242,250	8.49%	47,242,250	[REDACTED]%

SUBSTANTIAL SHAREHOLDERS

Notes:

1. Calculated without taking into consideration the Existing WVR Structure, which will be terminated upon [REDACTED].
2. Dr. Ji Entity, which is wholly owned by Dr. Ji, is interested in 77,372,780 Shares of the Company immediately following completion of the Share Subdivision. As such, Dr. Ji is deemed to be interested in the Shares held by Dr. Ji Entity.
3. Mr. Zhang, Mr. Zhang Entity, Huaqing Hongyi and Huaqing Yuyi have confirmed that they have been acting in concert with Dr. Ji and Dr. Ji Entity under the Mr. Zhang and Huaqing Proxy Arrangement. Huaqing Kuaiyi is the general partner of each of Huaqing Hongyi and Huaqing Yuyi. Therefore, Dr. Ji, Dr. Ji Entity, Mr. Zhang, Mr. Zhang Entity, Huaqing Hongyi, Huaqing Yuyi and Huaqing Kuaiyi constitute the Single Largest Shareholder Group, and each of Dr. Ji, Dr. Ji Entity, Mr. Zhang, Mr. Zhang Entity, Huaqing Hongyi, Huaqing Yuyi and Huaqing Kuaiyi is deemed to be interested in the Shares held by other members of the Single Largest Shareholder Group.
4. Mr. Zhang Entity, which is wholly owned by Mr. Zhang, is interested in 51,581,860 Shares of the Company immediately following completion of the Share Subdivision of the Company. As such, Mr. Zhang is deemed to be interested in the Shares held by Mr. Zhang Entity.
5. Immediately following completion of the Share Subdivision, Source Code will hold 11,071,470 Shares through Geometry Ventures, 19,511,320 Shares through Sonorous Venture, 5,535,730 Shares through YDZ Ventures, 27,730,930 Shares through Ease Villa, 18,085,390 Shares through EasyRent, 12,726,380 Shares through Entropy and 27,128,080 Shares through Quark.
6. Immediately following completion of the Share Subdivision, Matrix will hold 70,401,040 Shares through Matrix IV and 7,039,330 Shares through Matrix IV-A.
7. Immediately following completion of the Share Subdivision, Koala Fund will hold 57,914,450 Shares through Tianjin Tongrun.
8. Immediately following completion of the Share Subdivision, GIC will hold 47,242,250 Shares through City-Scape.
9. The shareholding percentage of each Shareholder as listed above is calculated without considering [REDACTED].

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the [REDACTED] (assuming the [REDACTED] and the options under the Pre-[REDACTED] Option Plan are not exercised), have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

SHARE CAPITAL

SHARE CAPITAL

Immediately after the completion of the Share Subdivision and before the [REDACTED], the authorized and issued share capital of our Company is as follows:

Authorised share capital		<i>(US\$)</i>
978,188,830	Ordinary Shares of par value US\$0.00005 each	48,909.44
23,999,970	Series Angel Preferred Shares of par value US\$0.00005 each	1,200.00
40,000,000	Series A-1 Preferred Shares of par value US\$0.00005 each	2,000.00
40,000,000	Series A-2 Preferred Shares of par value US\$0.00005 each	2,000.00
49,130,020	Series A-3 Preferred Shares of par value US\$0.00005 each	2,456.50
68,658,910	Series B Preferred Shares of par value US\$0.00005 each	3,432.95
73,734,440	Series C Preferred Shares of par value US\$0.00005 each	3,686.72
72,944,410	Series D Preferred Shares of par value US\$0.00005 each	3,647.22
53,343,420	Series E Preferred Shares of par value US\$0.00005 each	2,667.17
1,400,000,000 Total		70,000
Issued share capital		<i>(US\$)</i>
134,875,360	Ordinary Shares of par value US\$0.00005 each	6,743.77
23,999,970	Series Angel Preferred Shares of par value US\$0.00005 each	1,200.00
40,000,000	Series A-1 Preferred Shares of par value US\$0.00005 each	2,000.00
40,000,000	Series A-2 Preferred Shares of par value US\$0.00005 each	2,000.00
49,130,020	Series A-3 Preferred Shares of par value US\$0.00005 each	2,456.50
68,658,910	Series B Preferred Shares of par value US\$0.00005 each	3,432.95
73,734,440	Series C Preferred Shares of par value US\$0.00005 each	3,686.72
72,944,410	Series D Preferred Shares of par value US\$0.00005 each	3,647.22
53,343,420	Series E Preferred Shares of par value US\$0.00005 each	2,667.17
556,686,530 Total		27,834.33

SHARE CAPITAL

Assuming the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Option Plan, the issued share capital of our Company immediately following the completion of the [REDACTED] will be as follows:

	Issued share capital	<i>(US\$)</i>
556,686,530	Shares in issue immediately following the completion of the Share Subdivision and before the [REDACTED] of par value US\$0.00005 each	27,834.33
[REDACTED]	Shares to be issued under the [REDACTED] of par value US\$0.00005 each	[REDACTED]
<hr/>		
<u>[REDACTED]</u>	Total	<u>[REDACTED]</u>

Assuming the [REDACTED] is exercised in full and no Shares are issued pursuant to the Pre-[REDACTED] Option Plan, the issued share capital of our Company immediately following the completion of the [REDACTED] will be as follows:

	Issued share capital	<i>(US\$)</i>
556,686,530	Shares in issue immediately following the completion of the Share Subdivision and before the [REDACTED] of par value US\$0.00005 each	27,834.33
[REDACTED]	Shares to be issued under the [REDACTED] and the [REDACTED] of par value US\$0.00005 each ⁽²⁾	[REDACTED]
<hr/>		
<u>[REDACTED]</u>	Total	<u>[REDACTED]</u>

Notes:

- (1) Our Shares referred to in the above table have been or will be fully paid or credited as fully paid when issued.
- (2) Assuming a total of [REDACTED] Shares will be issued upon exercise of the [REDACTED] in full.

The above tables assume that the [REDACTED] becomes unconditional, and the Shares are issued pursuant to the [REDACTED]. The above tables also do not take into account any Shares which may be issued or repurchased by us under the general mandates granted to our Directors as referred to below.

RANKING

The [REDACTED] will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this document and will qualify and rank equally for all dividends or other distributions declared, made, or paid on the Shares on a record date which falls after the date of this document.

SHARE CAPITAL

CIRCUMSTANCES WHERE GENERAL MEETINGS ARE REQUIRED

After completion of the [REDACTED], our Company will have only one class of Shares, namely ordinary shares, and each ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its share capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) subdivide its shares into shares of smaller amount; (iv) cancel any shares which have not been taken or agreed to be taken by any person; and (v) perform any action not required to be performed by special resolution. In addition, our Company may subject to the provisions of the Cayman Companies Act reduce its share capital by its shareholders passing a special resolution. See "Summary of the Constitution of the Company and Cayman Companies Act – 2. Articles of Association – 2.1(c) Alteration of capital" in Appendix III to this Document for further details.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the [REDACTED]; and
- (ii) the aggregate nominal value of share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

The general mandate to issue Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- (ii) the expiration of period within which our Company is required by any applicable laws or the Articles of Association to hold its next annual general meeting; or
- (iii) the time when the mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

See "Statutory and General Information – A. Further Information about our Group – 4. Resolutions of the Shareholders of Our Company dated [●]" in Appendix IV to this Document for further details of this general mandate to allot, issue and deal with Shares.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase shares with a total nominal value of up to 10% of the aggregate nominal amount of the share capital of our Company in issue or to be issued immediately following the completion of the [REDACTED].

This repurchase mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are [REDACTED] (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements under the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information – A. Further Information about our Company and our Subsidiaries – 4. Resolutions of the Shareholders of Our Company dated [●]” Appendix IV to this Document.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company’s next annual general meeting unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- (ii) the expiration of period within which our Company is required by any applicable laws or the Articles of Association to hold its next annual general meeting; or
- (iii) the time when the mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

See “Statutory and General Information – A. Further Information about our Company and our Subsidiaries – 4. Resolutions of the Shareholders of Our Company dated [●]” in Appendix IV to this Document for further details of the repurchase mandate.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with consolidated financial statements, including the notes thereto set out in "Appendix I – Accountants' Report" to this document and the selected historical financial information presented elsewhere in this document. Our consolidated financial statements were prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make considering our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors," "Forward-Looking Statements" and elsewhere in this document.

OVERVIEW

We are a major office IT integrated solution provider in China, providing one-stop office IT services 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. According to the same source, 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.

During the Track Record Period, our revenue was generated from pay-as-you-go office IT integrated solutions, sales of devices, and SaaS and other services.

- **Pay-as-you-go office IT integrated solutions:** We provide our office IT integrated solutions primarily via the 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 device management services, such as order placement, subscription management, on-site inspection and bulk shipment of the devices, all under one service pack while customers can subscribe and unsubscribe to the office IT service flexibly based on their evolving needs.

FINANCIAL INFORMATION

- **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. Customers can purchase the devices in installments, and the ownership of the devices are transferred to the customers when the devices are delivered to customers. In this case, the customers are also entitled to the same level of managed IT services as provided under our pay-as-you-go office IT integrated solutions until they obtain full ownership of the device. In addition, 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.
- **SaaS and other services:** We developed our SaaS product to meet customers’ multiple digitalization needs. Our SaaS product, Ebandian, is designed to help enterprise customers manage their assets and inventories from asset procurement and storage to usage and disposal for an annual subscription fee. Ebandian allows customers to visualize and streamline assets and inventories operations and enables customers to track and manage portfolios of assets and inventories with transparency.

We have achieved strong financial performance during the Track Record Period. 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 expanded from 41.4% for the year ended December 31, 2020 to 47.7% for the year ended December 31, 2021, and decreased slightly to 45.7% in 2022. For the year ended December 31, 2020, our adjust net loss (non-IFRS measure) amounted to RMB44.5 million, respectively, while for the year ended December 31, 2021 and 2022, our adjusted net profit (non-IFRS measure) amounted to RMB93.5 million and RMB135.2 million, respectively. See “– Consolidated Statements of Profit or Loss – Non-IFRS measure – Adjusted Net Profit/(Loss).”

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to be, materially affected by a number of factors, many of which are outside of our control. These factors include but are not limited to the following:

General Factors

We derived a large portion of our revenue from the provision of pay-as-you-go office IT integrated solutions in the PRC during the Track Record Period. The demand for our pay-as-you-go office IT integrated solutions is closely related to the growth of enterprises that are the major users of office IT and the number of their IT users, which, in turn, largely depends on the employment rate and the general economic conditions in the PRC.

FINANCIAL INFORMATION

Our business and results of operations are also impacted by general factors affecting the broader enterprise IT service industry and the enterprise office IT service industry in China, including:

- the development of China's enterprise IT service market;
- SMEs' business growth, number of IT users, and spending on office IT and digital transformation;
- adoption and acceptance of usage-based mode, as compared to the direct buyout mode, of the enterprise office IT services in China;
- customers' perceived value of managed IT services; and
- government regulations, policies and initiatives affecting SMEs in China, generally or sectorally.

Any unfavorable change in any of these general industry conditions may have a negative impact on the demand for our products and services, and materially affect our results of operations.

Company Specific Factors

We believe that the following are the key factors affecting our results of operations.

Our ability to optimize customers' experience and upgrade our services to enhance customer stickiness and expand our customer base

With our service model evolving around customer life cycle, we have fostered a loyal and high-quality customer base over the years, which primarily includes SMEs from various industries. The number of our customers continuously increased during the Track Record Period. We believe that our financial growth is subject to our ability to continue optimizing customers' experience to enhance customer stickiness and grow our customer base to further increase subscription volume.

Our results of operations and continued revenue growth depend significantly on our ability to attract new customers and retain and cultivate relationships with existing ones. Such ability further hinges on our capability to continually address the pain points of our customers, which contributes to an enhanced customer experience and higher customer satisfaction. As of December 31, 2020, 2021, and 2022, respectively, we had approximately 29,000, 39,000 and 43,000 active customers. 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%. These indicate high customer retention and rapid growth of new customer base.

FINANCIAL INFORMATION

We provide our services primarily with a pay-as-you-go subscription method offered to our customers, where our customers subscribe to our services for a flexible term with a monthly fee. They may also choose to subscribe for a longer term ranging from one year to three years in exchange for a discounted rate. Our revenue is recognized on a time-proportion basis over the service terms. Thus, our operating and financial performances are affected by the number of customers we acquire and the engagements between us and our customers. In addition, a large and expanding customer base provides an invaluable source of experience for us to better understand our customers’ needs and preferences as well as application scenarios such as recruiting and training. Accordingly, we are able to further enrich the content of our service pack and explore more types of services such as SaaS to improve our customers’ overall experience for continued expansion of our customer base. Continued expansion of our customer base may also help strengthen our brand and reputation within the enterprise office IT service industry, thereby attracting more potential customers for our subscription services and other services, which is pivotal to the success of our business and future growth.

Our ability to maintain an industry-leading remanufacturing capability and achieve long-term competitive advantages

Leveraging our proprietary remanufacturing technology, we can test, retrofit, upgrade and reset devices, or replace the specific device components that are the cause of failure, and therefore extend the service life of devices by, on average, two to three times their originally expected life span while maintaining their performance. With a prolonged life span, our devices can be utilized to support more customers’ subscription cycles, thereby maximizing the value of devices throughout their service life and significantly reducing our depreciation cost, which in turn facilitates the increase of our gross profit margin and helps improve our long-term competitive cost advantages. For the years ended December 31, 2020, 2021, and 2022, the depreciation cost of devices provided under our pay-as-you-go office IT integrated solutions, including self-owned devices and leased-in devices, amounted to RMB209.4 million, RMB285.5 million and RMB370.0 million, representing 25.8%, 24.1% and 27.0% of our total revenue for the same periods, respectively. In addition, our strong remanufacturing ability enables us to conduct tests and repairs of electronic components down to chip-level. Leveraging our ability to perform chip-level repair and remanufacturing, our average cost of remanufacturing during the Track Record Period was less than RMB100 per device. This, in turn, increases our gross profit margin. For the years ended December 31, 2020, 2021 and 2022, our pay-as-you-go office IT integrated solutions achieved a gross profit margin of 48.5%, 54.1% and 55.0%, respectively.

Our ability to effectively manage our devices

During the Track Record Period, we derived a large portion of revenue from our pay-as-you-go office IT integrated solutions, which include both providing IT hardware devices to customers for use and ongoing operation services. As a result, our performance and future business expansion are subject to our ability to effectively manage our devices and to maintain the corresponding utilization. With the visualization function of our self-developed Nebula system, we are able to digitally manage our devices throughout the whole device life

FINANCIAL INFORMATION

cycle and monitor the performances of devices in real time. With the performance statistics, we are able to procure, remanufacture, dispatch, use and sell devices on demand. We also dynamically adjust our procurement volume according to our actual needs. In addition, we may sell certain less popular types of in-stock devices from time to time. With our self-developed platform, Epaiji, we are able to sell our devices in a commercially favorable and efficient manner, which in turn lowers the volume of idle devices, and improves our device utilization and operational efficiency.

Our device management might face challenges if unanticipated changes occur in the PRC economy or if other events affect specific customers, industries or markets. Under such circumstances, the number of idle devices might increase and we may need to face delays and incur losses on the disposal of devices, which could significantly impact our profitability, financial condition, results of operations and growth prospects. For details of our policies to maintain the utilization for our major device, see “Business – Our Technology and Infrastructure – Our Digitalization Technology – Visualization System for Device.”

Our ability to manage our costs and expenses and reach operational efficiencies

Our results of operations are affected by our ability to improve operational efficiency. For instance, our employee salaries and benefit expenses relating to sales and marketing personnel and administrative personnel form a significant portion of our selling and marketing expenses and general and administrative expenses. In this regard, our ability to enhance customer stickiness and grow our customer base, while at the same time controlling our customer acquisition-related costs and expenses, is important for our profit level and overall results of operations. During the Track Record Period, these expenses generally decreased as a percentage of our revenue due to achieving increasing economies of scale as our business continuously grew. 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 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.

In addition, besides managing our depreciation costs with our strong remanufacturing capability, we are also able to enjoy relatively more favorable prices due to our large-scale procurement of devices. Our ability to continue maintaining a low level of such costs will be important for our profitability and results of operations.

Our financing capabilities and our abilities to obtain funding resources

Our capabilities and sources of funding are important factors in determining the success of our business expansion. As our business operations require a significant amount of capital, we need adequate and timely sources of funding to maintain and further develop our business. Our major funding are mainly from our business operation and borrowings. As of December 31, 2020, 2021 and 2022 our borrowings amounted to RMB1.2 billion, RMB1.6 billion and RMB1.4 billion.

FINANCIAL INFORMATION

The level of our indebtedness and the amount of our interest payments could limit our ability to obtain the necessary additional financing or obtain favorable terms for the financing of future capital expenditures and working capital. The availability of funding directly affects our ability to expand our operations, while the cost of funding directly impacts our finance costs. For the years ended December 31, 2020, 2021 and 2022, our finance costs amounted to RMB95.3 million, RMB146.2 million and RMB169.6 million, respectively. For the year ended December 31, 2020, our net cash generated from financing activities amounted to RMB753.1 million. For the years ended December 31, 2021, and 2022, our net cash used in financing activities amounted to RMB47.1 million and RMB636.1 million.

As we do not rely on a single source of funding, we regularly adjust the level of our borrowings in accordance with our operational needs. During the Track Record Period, we were able to maintain our levels of total borrowings in step with the expansion of our business. After the [REDACTED], we expect to have better access to capital markets and thus enhanced funding capabilities. We will leverage the development of the enterprise office IT service market in the PRC to explore further financing options under appropriate market conditions where suitable opportunities arise. Our ability to continue accessing additional funding may be influenced by factors affecting the PRC and global credit environment over which we have no control, including fluctuations in capital markets, cyclical nature of credit availability from banks and other lenders, investor confidence and new requirements that affect our funding sources directly, as well as any changes in policies or regulations or new policies and regulations that impact these funding sources. Any developments in these factors would impact our business and profitability. 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.”

Our asset security and risk management ability

Under our pay-as-you-go office IT integrated solutions, device usage is a part of customers’ service packs and the majority of our devices under service are moveable properties. Most of the devices we provide to our customers are self-owned devices. We also acquire a portion of devices from third parties through finance leasing arrangements, where we have right of use but will not obtain ownership of the devices before completing the relevant finance leasing contracts. As of December 31, 2022, we owned devices with a total carrying amount of RMB1.5 billion, and obtained from third parties the right of use of devices with a carrying amount of RMB0.5 billion.

Our devices under service may be detained, damaged or lost by our customers, intentionally or unintentionally, and we may not be able to recover our devices from them at the end of service terms. Also, as these assets are under our customers’ control, they may be involved in disputes between our customers and third parties such as the creditors of our customers, whether with or without fair grounds. In addition, we may have to write off such devices and recognize losses when there are indicators that the devices are not recoverable for accounting purposes. Therefore, our ability to effectively safeguard against such losses as well

FINANCIAL INFORMATION

as our overall risk management capability would be pivotal to our business operations and profit level. See “Risk Factors – We have been and may be in the future involved in disputes arising from our operations, and the resulting customer complaints, regulatory actions and legal proceedings against us or our management and Directors may harm our reputation and have a material adverse impact on our business, financial condition, results of operations and prospects.” Our loss on written-off of rental computer devices was RMB12.6 million, RMB6.8 million and RMB22.8 million, for the years ended December 31, 2020, 2021 and 2022, respectively, representing 1.0%, 0.4% and 1.6% of the total carrying amount of our self-owned rental computer devices as of December 31, 2020, 2021, and 2022, respectively.

Continuous innovation, expansion and diversification of our products and service offerings

With the advancement of internal operations of our customers, their needs in relation to office IT products and services also evolve. Continual innovation and development of our products and services, including the features and solutions we offer, are crucial for us to support our customers’ development and to maintain our market position in the office IT integrated solution industry. We have invested, and will continue devoting significant resources in product and service development to enrich the content of our subscription services and explore further SaaS products to continually diversify our offerings and deliver a high-quality customer experience.

We continually seek to expand our product and service offerings through developing new formats of office IT integrated solutions and SaaS products to improve our customers’ experience and cater to their evolving needs and requirements. As satisfied customers tend to upgrade their experience and pay for additional services, thereby contributing to our revenue growth and results of operations. Such innovation will require strengthened research and development capabilities. For the years ended December 31, 2020, 2021 and 2022, we incurred research and development expenses of RMB57.9 million, RMB62.1 million and RMB84.0 million, respectively. Going forward, we plan to continue investing in research and development to support the long-term growth of our business.

EFFECTS OF THE COVID-19 OUTBREAK ON OUR BUSINESS

Since the end of December 2019, the outbreak of COVID-19 has materially and adversely affected the Chinese and global economies.

In response to COVID-19, including the recent recurrence of COVID-19 around the end of 2021 in China, the PRC government has imposed mandatory quarantine, closure of workplaces and facilities, travel restriction and other related measures. These measures have caused a decline in business activities in a wide range of sectors, which in turn affect the demand in the office IT integrated solutions.

FINANCIAL INFORMATION

COVID-19 has caused temporary disruptions to our business operations, especially in office IT integrated solutions, and affected our financial performances. We have experienced a temporary decrease in service demand, primarily due to our customers' closures and reduced business activities during the COVID-19 outbreaks. Many customers, especially those from industries that require on-site or face-to-face operations like the retail industry and education industry, terminated their subscriptions due to a sharp decline in their business operations.

In addition, as our business operations require a significant amount of capital, we need adequate and timely sources of funding to maintain and further develop our business. Our major funding sources are mainly from our business operation and borrowings from financial institutions. During the COVID-19 pandemic, some financial institutions had longer internal approval processes for the release of funds, thereby affecting our cash inflow and liquidity positions.

Despite the temporary disruption caused by COVID-19, we were able to sustain our strong growth momentum and deliver robust revenue growth. During the COVID-19 outbreak, an increasing number of companies with demand of office IT integrated solutions opted for distributed workforce due to on-site work restrictions. With our nationwide service capability, we were able to provide stable and timely technical support to ensure the stability of our customers' daily operations during the pandemic outbreak. We also provide services through remote support within an optimal response time. Our on-site technicians can be dispatched to provide a convenient door-to-door service to our customers at their homes, offices or even hotels on demand. In this regard, we managed to satisfy customers' demands of office IT integrated solutions, including services provided outside office settings, such as remote help desk services, across the country effectively and efficiently, facilitating the growth of our customer base during the outbreak. As working from home has become more prevalent and preferable among companies with low demand for physical attendance and on-site collaboration, the demands for broad and flexible office IT integrated solutions that cover various stages throughout customer and device life cycles are expected to grow in the long run, which helps enlarge our operating scale and facilitate our future expansion. In addition, many companies became more risk averse and leaned towards more flexible subscription options in lieu of direct buyout modes, which in turn boosted the revenue growth of our pay-as-you-go office IT integrated solutions. Our revenue from pay-as-you-go office IT integrated solutions increased by 55.1%, from RMB643.3 million in 2020 to RMB997.9 million in 2021. As of December 31, 2020, 2021 and 2022, we had cash and cash equivalents of RMB725.4 million, RMB542.6 million and RMB505.8 million, respectively. We believe that the outbreak of COVID-19 did not have a material impact on our cash inflow and liquidity position. During the Track Record Period, none of our debt application was rejected by financial institutions due to the COVID-19 outbreak.

We undertook a series of measures in response to the outbreak to protect our employees, including, among others, temporary closure of our offices, remote working arrangements for our employees, and travel restrictions or suspension. These measures temporarily reduced the capacity and efficiency of our operations. We also provided our employees with masks, hand sanitizers and other protective devices immediately after the outbreak, which had increased and

FINANCIAL INFORMATION

may continue to increase our operational and support costs. In addition, our business operations could be disrupted if any of our employees is suspected of contracting the COVID-19 or any other epidemiological disease, since our employees could be quarantined and/or our offices may have to be shut down for disinfection.

We believe that the COVID-19 pandemic did not have any material adverse impact on our business and results of operations, and it is not expected to bring any permanent or material interruption to our operations. The PRC government gradually eased restrictive measures on business and social activities in December 2022, and re-opened the borders in January, 2023. There had been a temporary rapid progression of COVID-19 during this time. We expect that we will experience recovery of economic environment and rebound of market demands considering the increase of offline activities.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS

We have identified certain accounting policies and estimates, which we consider significant in the preparation of our financial statements in accordance with IFRS. These significant accounting policies, set forth in note 4 to the Accountants' Report in Appendix I to this document, are important for an understanding of our financial condition and results of operations.

Some of our accounting policies involve subjective assumptions, estimates and judgments that are discussed in note 5 of the Accountants' Report in Appendix I to this document. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Significant Accounting Policies

Revenue from contracts with customers

We recognize revenue when (or as) a performance obligation is satisfied, for instance, when control of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by our performance as we perform it;

FINANCIAL INFORMATION

- our performance creates or enhances an asset that the customer controls as we perform it; or
- our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

Our revenue from sale of devices is recognized at a point in time while revenue relating to the provision of software-as-a-service and other services is recognized overtime.

A contract liability represents our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

Sale of devices

Revenue is recognized when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location. When the customer initially purchases the goods online, the transaction price received by us is recognized as contract liabilities until the goods have been delivered to the customer.

SaaS and other services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Services provided are for periods of one year or less, and are billed based on the time incurred.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. We assess pay-as-you-go office IT integrated solution contract as being or containing a lease based on the definition under IFRS 16 *Lease* at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

FINANCIAL INFORMATION

Our Group as a lessor

Classification and measurement of leases

Leases for which our Group as the lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Lease income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

Our contracts with customers for providing office IT integrated solution which contains hardware and service are within the scope of IFRS16 and all income earned and recognized as lease income and presented as revenue as it is derived from the our ordinary course of business.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 *Financial instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When we are an intermediate lessor, the head lease and the sublease are accounted for as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not by reference to the underlying asset.

Our Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, we allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases

We apply the short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

FINANCIAL INFORMATION

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by us; and
- an estimate of costs to be incurred by us in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets of which we are reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of their useful life. Otherwise, the right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When we obtain ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the carrying amount of the relevant right-of-use assets are transferred to rental computer devices.

We present right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, we recognize and measure the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, we use the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

FINANCIAL INFORMATION

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

We remeasure lease liabilities (and make a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; or
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which case the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

We present lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

We account for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, we remeasure the lease liabilities, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

FINANCIAL INFORMATION

We account for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

Rental computer devices

Rental computer device is stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Rental computer devices are depreciated over the estimated useful life on a straight-line basis. For brand-new computer devices, the estimated useful life is generally seven years, for used computer devices the estimated useful life is three years.

The factors considered in determining the useful life of an asset include the expected usage of the asset, expected physical wear and tear, technical or commercial obsolescence and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is a matter of judgement based on the experience of the entity with similar assets.

We estimate the useful life of rental computer devices based on the historical experience, including the consideration of the rental devices' expected capacity, the repair and maintenance program, the care and maintenance under our standardized remanufacturing process, the technology development on devices and legal limits on the use of the rental computer devices.

We expect that we can use brand-new devices to generate revenue with gross profit for at least seven years based on historical data and experience. For the used computer devices, leveraging our capability in remanufacturing and based on our historical experience, we expect that they can be utilized for three years before disposal.

During the Track Record Period, we have applied the straight-line depreciation method consistently for both brand-new computer devices and used computer devices, which is the method that most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Based on the historical data and experience, the revenue generated by each computer device at different stage of its life is similar. Therefore, we believe that the straight-line depreciation reflects the expected pattern of consumption of the future economic benefits embodied in the rental computer devices.

We also estimate the residual value of the rental computer devices at the expected time of disposal. We make use of currently available market information, and the estimated residual values for rental computer devices are based on factors including model and age.

We make periodic adjustments to the depreciation rates of rental computer devices in response to the latest market conditions and their effect on residual values, as well as the estimated time of disposal. Such adjustments are accounted for as changes in accounting estimates. During the Track Record Period, rental computer devices was depreciated at rates ranging from 14.29% to 33.33% per annum. Rental computer devices are transferred to inventories at their carrying amount when they cease to be rented and become held for sale, as we routinely sell rental computer devices to others. When an item of rental computer devices is classified as held for sale, it is not depreciated and is accounted for as inventory.

FINANCIAL INFORMATION

Critical Accounting Judgments and Estimates

In the application of our Group's accounting policies, we are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

We obtained control over Beijing Ediantao by entering into the Contractual Arrangements. Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing us with direct control over Beijing Ediantao, and uncertainties presented by the PRC legal system could impede our beneficiary rights to the results, assets and liabilities of Beijing Ediantao. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements are in compliance with the relevant PRC Laws and are legally enforceable.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of preferred shares, warrants and convertible bonds

We have issued a series of preferred shares, warrants and convertible bonds prior to and during the Track Record Period as set out in note 24 of the Accountants' Report in Appendix I to this document. We recorded these financial instruments as financial liabilities at FVTPL for which no quoted prices in an active market exist. The fair value of the financial instruments is established by using valuation techniques, which include discounted cash flow and equity allocation based on the Black-Scholes option pricing model involving various parameters and inputs to arrive at the fair value of the preferred shares, warrants and convertible bonds at the end of each Track Record Period. Valuation techniques are certified by an independent qualified professional valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. However, it should be noted that some inputs, such as fair value of the ordinary shares of the Company, possibilities under different scenarios, such as qualified listing, redemption, liquidation, and other inputs, including risk-free interest rate, expected volatility value and discount for lack of marketability, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions change, that may lead to a change in the fair value of the financial liabilities at FVTPL.

FINANCIAL INFORMATION

We have instituted internal policies on valuation methodologies, models and procedures for valuation of level 3 financial liabilities. We perform valuation assessments of preferred shares, warrants and convertible bonds. We have engaged an independent qualified professional valuer to perform the relevant valuation assessments. Our management team reviewed the external valuer's valuation analysis and results, and they have discussed the basis of the valuation with the Reporting Accountants. We focus on the valuation methodologies, computation basis, key assumptions, qualifications and underlying rationales in such assessments.

To ensure that the valuation methodologies adopted are appropriate to reflect accurately the economic substance, our management team also performs risk assessments on (i) the effectiveness of its valuation models to enhance the reasonableness and reliability of such models periodically, and (ii) any material adjustments to existing valuation models or the implementation of any new valuation models. Our management team supervises the internal controls and implementation of the valuation policies and gives recommendations for improvement. Based on the above procedures, we agree with the valuation work for financial liabilities categorized within level 3 of fair value measurement in the historical financial information for the purpose of the preparation of the Accountants' Report as referred to in Appendix I to this document.

The Reporting Accountants, Deloitte Touche Tohmatsu, have carried out their work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on our historical financial information for the Track Record Period as a whole. The Reporting Accountants' opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on page I-2 of Appendix I to this document.

In relation to our financial liabilities measured within level 3 fair value measurement, the Sole Sponsor has reviewed and understood the classification policy of financial liabilities into level 3 fair value measurement, and has further conducted relevant due diligence work, including but not limited to, (1) discussion with our Company about the rationale of the transactions and share issuance, and key basis and assumptions for the valuation; (2) review of transaction documents; and (3) discussion with the Reporting Accountants about their work performed in connection with the valuation of the Group's financial liabilities. Based on the due diligence work performed, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the valuation.

Provision of ECL for trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually. In addition, we use practical expedients in estimating ECL on trade receivables which are assessed collectively using a provision matrix. The provision rates are based on aging of debtors through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and forward-looking information that is available without undue cost or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

FINANCIAL INFORMATION

Except for debtors with significant outstanding balances and credit impairment which are assessed individually, our directors estimate the amount of lifetime ECL of trade receivables on a collective basis by using provision matrix through grouping of various debtors that have similar loss patterns, after considering ageing, internal credit ratings of trade debtors, repayment history and/or past due status of respective trade receivables. The proportion of impairment losses, net of reversal, recognized on trade receivables during the Track Record Period over the corresponding gross carrying amounts of trade receivables as of December 31, 2020, 2021 and 2022, was 14.4%, 10.5% and 15.8%, respectively.

Debtors with outstanding balances of RMB202.6 million, RMB257.8 million and RMB243.1 million as of December 31, 2020, 2021 and 2022, respectively, were assessed on a collective basis by using provision matrix by our credit management team, in which an aggregate carrying amount of RMB74.4 million, RMB90.0 million and RMB92.9 million, respectively, are 30 days past due. We have adopted a high average loss rate ranging from 27.9% to 98.6%, 34.7% to 99.9%, and 26.6% to 97.1% to these amounts as of December 31, 2020, 2021 and 2022, taking into account historical credit loss experience with reference to a valuation carried out by an independent qualified professional valuer.

The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix as at December 31, 2020, 2021 and 2022. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and forward-looking information that is available without undue cost or effort. The estimated loss rates for trade receivables assessed collectively for time band of ageing more than 30 days as of December 31, 2022 decreased compared with those of the same time band as at December 31, 2021 primarily because during the year ended December 31, 2022, certain debtors were considered credit-impaired as their related trade receivables were past due over 30 days due to the adverse impact of Covid-19 pandemic, certain industry policy announced and volatility in financial market on their businesses. As the result, as of December 31, 2022, trade receivables from those debtors which had been previously assessed on a collectively basis were assessed individually and a total impairment loss of RMB79,255,000 was recognized individually during the year ended December 31, 2022, compared to that of RMB32,160,000 as of December 31, 2021.

As at December 31, 2020

Provision on collective basis	Within 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 270 days	271 to 360 days	Over 360 days	Total
Average loss rate	0.04%	27.86%	55.59%	80.63%	92.59%	98.32%	98.57%	29.66%
Gross carrying amount (RMB'000)	128,183	13,879	4,062	7,002	8,399	6,914	34,174	202,613
Loss allowance (RMB'000)	(54)	(3,866)	(2,258)	(5,646)	(7,777)	(6,798)	(33,687)	(60,086)

FINANCIAL INFORMATION

As at December 31, 2021

Provision on collective basis	Within 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 270 days	271 to 360 days	Over 360 days	Total
Average loss rate	0.07%	34.74%	64.22%	83.99%	86.37%	92.42%	99.86%	30.77%
Gross carrying amount (RMB'000)	167,816	9,985	4,161	9,568	5,973	4,778	55,552	257,833
Loss allowance (RMB'000)	(114)	(3,469)	(2,672)	(8,036)	(5,159)	(4,416)	(55,474)	(79,340)

As at December 31, 2022

Provision on collective basis	Within 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 270 days	271 to 360 days	Over 360 days	Total
Average loss rate	0.20%	26.57%	45.94%	61.27%	68.35%	76.71%	97.11%	33.03%
Gross carrying amount (RMB'000)	150,264	4,806	3,574	7,648	3,991	5,221	67,627	243,131
Loss allowance (RMB'000)	(305)	(1,277)	(1,642)	(4,686)	(2,728)	(4,005)	(65,670)	(80,313)

Debtors with outstanding balances of RMB21.0 million, RMB32.2 million and RMB79.3 million as of December 31, 2020, 2021 and 2022, respectively, were assessed individually by our credit management team from continuously monitoring. Our credit management team decides these debtors are 100% credit-impaired on various scenarios, such as: (i) the debtors have a possibility to be placed under liquidation as the debtors has been placed in abnormal registration status; (ii) the debtors come into poor operating condition and solvency; and (iii) we are defrauded by the counterparties who abused the debtor’s business license, etc.

Deferred tax assets

As at December 31, 2020, 2021 and 2022, deferred tax assets of RMB7,923,000, RMB26,131,000 and RMB86,653,000, respectively in relation to unused tax losses and deductible temporary differences for certain subsidiaries have been recognized in the consolidated statements of financial position. The Group recognized the deferred tax asset to the extent that these entities would have sufficient taxable profit in the future. No deferred tax asset has been recognized in relation to unused tax losses amounting to RMB188,319,000, RMB185,220,000 and RMB81,050,000, and deductible temporary differences amounting to RMB81,688,000, RMB4,079,000 and RMB5,854,000 as at December 31, 2020, 2021 and 2022, respectively, due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a change takes place.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The table below sets forth a summary of our consolidated statements of profit or loss for the years indicated:

	For the year ended December 31,					
	2020		2021		2022	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Revenue	813,148	100.0	1,183,749	100.0	1,371,889	100.0
Cost of sales	(476,103)	(58.6)	(618,527)	(52.3)	(745,346)	(54.3)
Gross profit	337,045	41.4	565,222	47.7	626,543	45.7
Selling and marketing expenses	(119,035)	(14.6)	(181,038)	(15.3)	(164,711)	(12.0)
Research and development expenses	(57,942)	(7.1)	(62,067)	(5.2)	(84,026)	(6.1)
General and administrative expenses	(110,329)	(13.6)	(78,196)	(6.6)	(106,093)	(7.7)
Other income	20,696	2.5	9,630	0.8	48,903	3.6
Other gains and losses, net	(49,263)	(6.1)	6,181	0.5	(15,886)	(1.2)
Gain/(loss) on changes in fair value of financial liabilities at fair value through profit or loss (“FVTPL”)	18,609	2.3	(416,358)	(35.2)	(702,170)	(51.2)
Impairment losses under expected credit loss (the “ECL”) model, net of reversal	(32,155)	(4.0)	(30,531)	(2.6)	(51,113)	(3.7)
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finance costs	(95,342)	(11.7)	(146,237)	(12.4)	(169,595)	(12.4)
Loss before tax	(87,716)	(10.8)	(351,023)	(29.6)	(646,265)	(47.1)
Income tax (expense)/credit	(728)	(0.1)	2,778	0.2	34,658	2.5
Loss and total comprehensive expense for the year	<u>(88,444)</u>	<u>(10.9)</u>	<u>(348,245)</u>	<u>(29.4)</u>	<u>(611,607)</u>	<u>(44.6)</u>
Loss per share						
– Basic (in RMB)	(0.79)	(0.0)	(2.95)	(0.0)	(5.19)	(0.0)
– Diluted (in RMB)	(0.79)	(0.0)	(2.95)	(0.0)	(5.19)	(0.0)

Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net profit/(loss) (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRS.

FINANCIAL INFORMATION

We believe this measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net profit/(loss) (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS.

Adjusted Net Profit/(Loss) (Non-IFRS Measure)

We define adjusted net profit/(loss) (non-IFRS measure) as net profit/(loss) for the year adjusted by adding (i) share-based payment expenses, (ii) fair value changes of financial liabilities at FVTPL, and (iii) [REDACTED] expenses.

The following table reconciles our adjusted net profit/(loss) (non-IFRS measure) for the year presented to the most directly comparable financial measures calculated and presented in accordance with IFRS, namely profit/(loss) for the year:

	Year ended December 31,		
	2020	2021	2022
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Reconciliation of net loss to adjusted net profit/(loss) (non-IFRS measure)			
Loss for the year	(88,444)	(348,245)	(611,607)
Add:			
Share-based payment expenses ⁽¹⁾	62,529	7,739	16,509
Gain/(loss) on changes in fair value of financial liabilities at FVTPL ⁽²⁾	(18,609)	416,358	702,170
[REDACTED] expenses ⁽³⁾	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net (loss)/profit (non-IFRS measure)	<u>(44,524)</u>	<u>93,481</u>	<u>135,189</u>

(1) A non-cash expense arising from granting share option to employees.

(2) Represents a non-cash fair value changes arising from preferred shares, warrants and convertible bonds to investors.

(3) Expenses relates to our [REDACTED].

EBITDA and Adjusted EBITDA (Non-IFRS Measures)

We define EBITDA (non-IFRS measure) as net loss for the year by adding back (i) net finance costs, (ii) income tax expense/(credit), (iii) depreciation and (iv) amortization. We add back share-based payment expenses, fair value changes of financial liabilities at FVTPL and [REDACTED] expenses to EBITDA to derive adjusted EBITDA (non-IFRS measure).

FINANCIAL INFORMATION

The following table sets out EBITDA and adjusted EBITDA (non-IFRS measures) and a reconciliation from loss for the year to EBITDA and adjusted EBITDA (non-IFRS measures) for the year indicated:

	Year ended December 31,		
	2020	2021	2022
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Reconciliation of loss for the year to and adjusted EBITDA (non-IFRS measure)			
Net loss for the year	(88,444)	(348,245)	(611,607)
Add:			
Net finance costs ⁽¹⁾	83,579	144,470	163,034
Income tax expense/(credit) ⁽²⁾	728	(2,778)	(34,658)
Depreciation ⁽³⁾	220,975	301,788	396,289
Amortization ⁽⁴⁾	104	241	410
	<u>216,942</u>	<u>95,476</u>	<u>(86,532)</u>
EBITDA (non-IFRS measure)	216,942	95,476	(86,532)
Add:			
Share-based payment expenses	62,529	7,739	16,509
Gain/(loss) on changes in fair value of financial liabilities at FVTPL	(18,609)	416,358	702,170
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted EBITDA (non-IFRS measure)	260,862	537,202	660,264

(1) Equals the balance of finance costs net of the interest income from banks.

(2) Equals the sum of the current tax and deferred tax.

(3) Equals the sum of the depreciation costs of our self-owned rental computer devices and right-of-use assets.

(4) Equals the sum of the amortization costs of our intangible assets and other non-current assets.

Revenue

During the Track Record Period, we generated revenue from (i) pay-as-you-go office IT integrated solutions, (ii) sales of devices, and (iii) SaaS and other services.

FINANCIAL INFORMATION

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>

Pay-as-you-go office IT integrated solutions

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). Deposits are usually waived as long as the customers provide required information and pass our internal risk assessment. 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 early termination. Such upfront payments are recorded as advance lease payments and will be recognized as revenue when such services are provided, and the refunds are deducted thereof. As of December 31, 2020, 2021, and 2022, the advance lease payments we received from our customers amounted to RMB16.2 million, RMB30.3 million and RMB51.3 million, respectively. The revenue of our pay-as-you-go office IT integrated solutions is derived from customers’ subscription fees and is recognized as lease income under IFRS 16 on a straight-line basis over the term of the relevant subscription period. See “– Significant Accounting Policies and Critical Estimates and Judgments – Significant Accounting Policies – Leases.” 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.

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. Certain customers may wish to purchase our devices, and we offer them that opportunity. Customers can purchase the devices in installments, which allow them to pay a relatively small amount on monthly basis to meet their budgets. The ownership of the device are transferred to the customer upon receipt of full payment. In this case, customers are also entitled to the same level of managed

FINANCIAL INFORMATION

IT services as provided under our pay-as-you-go office IT integrated solutions, until they obtain full ownership of the device. Although the ownership does not transfer to the customers before the completion of installment purchase, the control of such devices are transferred to the customers when the devices are delivered to the customers, as our customers have the ability to direct the use of, and obtain substantially all of the remaining benefits from, the devices under installment purchase through using of the devices. Revenue is therefore recognized at the point of transfer of control, and relevant rental computer devices are derecognized from our balance sheet. We do not charge for the managed IT services provided to the customers who purchase devices through installment payments and the managed IT services are not treated as a separate performance obligations. Therefore, there is not any revenue recognized for the provision of such 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 particular devices. These customers' subscriptions are then terminated once they buy out the devices.

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 start to record trade receivables arisen from installment sales of devices upon the time of sales of devices. We also issue bills to customers under installment sales of devices on the billing dates. The aging of trade receivables arisen from installment sales of devices is calculated from the billing dates instead of from the dates when the sales are made. We determine the sales price of devices sold to existing customers by considering the length of period during which the existing customers have been using our devices and the subscription service fee already paid by the existing customers: (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 relevant installment periods are calculated as all previous subscription periods plus one. Further, 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. In 2020, 2021, and 2022, we sold 100,293, 109,786 and 177,360 devices, respectively, among which 44,941, 36,922 and 117,165 devices, respectively, were sold on the Epaiji platform. Our revenue from sales of devices is derived from sales of computer devices and computer accessories. In 2020, 2021, and 2022, our revenue from sales of devices was RMB157.3 million, RMB172.7 million and RMB193.5 million, respectively, among which RMB36.7 million, RMB41.8 million and RMB75.9 million, respectively, were generated through sales of devices on the Epaiji platform.

FINANCIAL INFORMATION

SaaS and other services

Our revenue from our SaaS and other services primarily includes revenue from the provision of SaaS and other services. Epanidian is our revenue-generating SaaS during the Track Record Period. It is designed to help enterprise customers manage their assets and inventories from procurement and storage to usage and disposal for an annual subscription fee ranging from approximately RMB680 to RMB13,980. In 2020, 2021, and 2022, our revenue from SaaS was RMB5.3 million, RMB3.3 million and RMB5.6 million, respectively. Our other services are IT maintenance services provided to customers who do not subscribe to our pay-as-you-go office IT integrated solutions or receive our services under installment purchases may also engage us for IT maintenance. We charge relevant service fees for such IT maintenance services. In 2020, 2021, and 2022, our revenue from such maintenance services was RMB7.3 million, RMB9.9 million and RMB7.6 million respectively.

Cost of Sales

During the Track Record Period, the cost of pay-as-you-go office IT integrated solutions consists primarily of depreciation costs of devices, staff and other costs related to maintenance, risk control and operation. The cost of sales for our sales of devices mainly represents the residual value of the devices. The cost of sales for our SaaS and other services is primarily staff costs for maintenance and operation. The following table sets forth a breakdown of our cost of sales 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	331,644	69.7	457,546	74.0	524,873	70.4
– Depreciation of self-owned and leased-in rental computer devices	209,395	44.0	285,457	46.2	370,007	49.6
– Staff and other costs	122,249	25.7	172,089	27.8	154,866	20.8
Sales of devices	142,429	30.0	157,974	25.5	218,706	29.4
SaaS and other services	2,030	0.3	3,007	0.5	1,767	0.2
Total	476,103	100.0	618,527	100.0	745,346	100.0

FINANCIAL INFORMATION

The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	For the year ended December 31,					
	2020		2021		2022	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Depreciation of self-owned and lease-in rental computer devices	209,395	44.0	285,457	46.2	370,007	49.6
Purchase cost of sales of devices	138,439	29.1	153,003	24.7	213,753	28.7
Employee benefit cost	60,742	12.8	84,412	13.6	90,143	12.1
Packing and delivery cost	23,833	5.0	33,750	5.5	27,707	3.7
Others ⁽¹⁾	43,694	9.1	61,905	10.0	43,736	5.9
Total	476,103	100.0	618,527	100.0	745,346	100.0

Note:

- (1) Others include cost of accessories, technical service cost, other daily operating costs, and cost for SaaS and other services.

Gross Profit/(Loss) and Gross Profit/(Loss) Margin

Gross profit/(loss) represents our revenue less cost of sales. The following table sets forth our gross profit/(loss) and gross profit/(loss) margin by segment for the periods indicated:

	For the year ended December 31,					
	2020		2021		2022	
	Gross profit margin Amount	Gross profit margin %	Gross profit margin Amount	Gross profit margin %	Gross profit/(loss) margin Amount	Gross profit/(loss) margin %
	<i>(RMB in thousands, except for percentages)</i>					
Pay-as-you-go office IT integrated solutions	311,701	48.5	540,349	54.1	640,286	55.0
Sales of devices	14,826	9.4	14,687	8.5	(25,245)	(13.0)
SaaS and other services	10,518	83.8	10,186	77.2	11,502	86.7
Total gross profit/Overall gross profit margin	337,045	41.4	565,222	47.7	626,543	45.7

FINANCIAL INFORMATION

Our gross profit continuously increased during the Track Record Period, which was mainly in line with our revenue growth. Our gross profit margin expanded from 41.4% for the year ended December 31, 2020 to 47.7% for the year ended December 31, 2021, primarily due to increase in gross profit margin of our pay-as-you-go office IT integrated solutions and slightly decreased to 45.7% for the year ended December 31, 2022, primarily attributable to decrease in gross profit margin of our sales of devices, which was partially offset by increase in gross profit margin of our SaaS and other services. For details of the fluctuations of our gross profit margin during the Track Record Period, see “– Results of operations.”

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of employee salaries and benefit expenses. For the years ended December 31, 2020, 2021 and 2022, our selling and marketing expenses amounted to RMB119.0 million, RMB181.0 million and RMB164.7 million, respectively. As a percentage of our revenue, our selling and marketing expenses were 14.6%, 15.3% and 12.0% for the years ended December 31, 2020, 2021, and 2022, respectively. The following table sets forth a breakdown of our selling and marketing expenses for the periods indicated:

	Year ended December 31,					
	2020		2021		2022	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Employee salaries and benefit expenses	90,386	75.9	132,859	73.4	130,082	79.0
Share-based compensation	1,382	1.2	1,836	1.0	2,502	1.5
Human resource service fee	5,548	4.7	405	0.2	977	0.6
Advertising and marketing expenses	7,192	6.0	20,035	11.1	5,776	3.5
Office and traveling expenses	6,447	5.4	8,938	4.9	6,531	4.0
Others ⁽¹⁾	8,080	6.8	16,965	9.4	18,843	11.4
Total	119,035	100.0	181,038	100.0	164,711	100.0

Note:

- (1) Others include rental expenses and utilities, consulting service fees, hospitality fees and low-value consumables.

FINANCIAL INFORMATION

Research and Development Expenses

Our research and development expenses primarily consist of employee salaries and benefit expenses. For the years ended December 31, 2020, 2021, and 2022, our research and development expenses amounted to RMB57.9 million, RMB62.1 million and RMB84.0 million, respectively. The following table sets forth a breakdown of our research and development expenses for the periods indicated:

	Year ended December 31,					
	2020		2021		2022	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Employee salaries and benefit expenses	46,366	80.0	53,768	86.6	63,916	76.1
Share-based compensation	1,293	2.2	1,293	2.1	6,111	7.3
Human resource service fee	4,966	8.6	–	–	281	0.3
Consulting service fee	3,400	5.9	4,532	7.3	8,356	9.9
Others ⁽¹⁾	1,917	3.3	2,474	4.0	5,362	6.4
Total	57,942	100.0	62,067	100.0	84,026	100.0

Note:

(1) Others include rental expenses and utilities, office and traveling expenses.

General and Administrative Expenses

Our general and administrative expenses primarily consist of employee salaries and benefit expenses. For the years ended December 31, 2020, 2021, and 2022, our general and administrative expenses amounted to RMB110.3 million, RMB78.2 million and RMB106.1 million, respectively. As a percentage of our revenue, our general and administrative expenses were 13.6%, 6.6% and 7.7% for the years ended December 31, 2020, 2021, and 2022, respectively. The following table sets forth a breakdown of our general and administrative expenses for the periods indicated:

	Year ended December 31,					
	2020		2021		2022	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Employee salaries and benefit expenses	26,319	23.9	48,002	61.4	65,621	61.9
Share-based compensation	58,605	53.1	3,475	4.4	6,684	6.3
Human resource service fee	1,073	1.0	430	0.5	457	0.4
Office and traveling expenses	3,994	3.6	6,931	8.9	9,922	9.4
Consulting service ⁽¹⁾	8,470	7.7	8,756	11.2	10,442	9.8

FINANCIAL INFORMATION

	Year ended December 31,					
	2020		2021		2022	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Rental expenses and utilities	7,037	6.4	3,250	4.2	6,887	6.5
Other tax	1,667	1.5	2,347	3.0	1,740	1.6
Others ⁽²⁾	3,164	2.8	5,005	6.4	4,340	4.1
Total	110,329	100.0	78,196	100.0	106,093	100.0

Notes:

- (1) Mainly including fees in relation to legal services, audit and valuation services as well as technical services incurred in the ordinary course of our business.
- (2) Including hospitality fees, low-value consumables, and depreciation and amortization.

Other Income

Our other income primarily consists of: (i) interest income from banks and trade receivables; (ii) government grants which mainly represent subsidies received from local governments in Beijing and Wuhan for encouraging and rewarding innovative enterprises; (iii) compensation income representing device damage compensation paid by our customers; and (iv) additional VAT input deduction that were recognized in profit or loss due to the VAT reform. In accordance with Taxation Announcement No. 39 of 2019, we are eligible for additional VAT input deduction by 10% of the current period VAT payable from April 1, 2019 to December 31, 2021 and the implementation period was further extended to December 31, 2022 in accordance with Taxation Announcement No. 11 of 2022. For the years ended December 31, 2020 and 2021, we did not incur cash outflow on VAT payable because our VAT input was greater than VAT output during the same year as a result of the procurement of rental computer devices, and therefore, no additional VAT input deduction was recognized. For the year ended December 31, 2022, we had current period VAT payable due to the continued increase in revenue, and therefore, we were eligible for additional VAT input deduction, and consequently recognized additional VAT input deduction. The following table sets forth a breakdown of our other income for the years indicated:

	For the year ended December 31,					
	2020		2021		2022	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Interest income from banks	11,763	56.8	1,767	18.3	6,561	13.4
Interest income from trade receivables						
under installment sales	6,583	31.8	7,060	73.3	5,096	10.4
Government grants	610	3.0	181	1.9	1,766	3.6
Compensation income	1,740	8.4	622	6.5	575	1.2
Additional value added tax (“VAT”) input deduction	–	–	–	–	34,905	71.4
	20,696	100.0	9,630	100.0	48,903	100.0

FINANCIAL INFORMATION

Other Gains and Losses

Our other gains and losses primarily consist of: (i) fair value change of financial assets at FVTPL in connection with structured deposits we purchased; (ii) net exchange gain/loss, which mainly represents the exchange rate changes of foreign currency USD against functional currency RMB. During the year ended December 31, 2022, the USD appreciated against RMB, resulting in net exchange gain from monetary items such as bank balances we held. During the year ended December 31, 2020, the USD depreciated significantly against RMB, and the amount of our bank balances in USD increased as we owned U.S. dollar-denominated convertible bonds, resulting in a net exchange loss. During the year ended December 31, 2021, the net exchange gain mainly arose from the fluctuation of USD against RMB during the year, at the transaction date of settlement of monetary items and on the retranslation of monetary items. (iii) loss on written-off of rental computer devices, which represents the losses we recognize for devices under customers' control that are not expected to be recovered by us. 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; (iv) impairment losses on rental computer devices, which are recognized as we estimated that the net realized value is less than the carrying amounts of rental computer devices; and (v) others, primarily including donations and gifts. For the years ended December 31, 2020 and 2022, our other losses amounted to RMB49.3 million and RMB15.9 million, respectively. For the year ended December 31, 2021, our other gains amounted to RMB6.2 million. The following table sets forth a breakdown of our other gains and losses, net for the periods indicated:

	For the year ended December 31,					
	2020		2021		2022	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
(Loss)/gain on changes in fair value of financial assets at FVTPL	(3,178)	(6.4)	457	7.4	911	5.7
Net exchange (gain)/loss	(33,629)	(68.3)	14,933	241.6	6,211	39.1
Loss on written-off of rental computer devices ⁽¹⁾	(12,629)	(25.6)	(6,817)	(110.3)	(22,811)	(143.6)
Gain/(loss) on termination of lease contract	157	0.3	(1,814)	(29.3)	–	0.0
Impairment losses on rental computer devices	–	–	–	–	–	0.0
Others	16	0.0	(578)	(9.4)	(197)	1.2
Total	(49,263)	(100.0)	6,181	100.0	(15,886)	100.0

(1) For customers with six months overdue billings, we cease to recognize revenue and we recognize loss on written-off of rental computer devices held by the customers.

FINANCIAL INFORMATION

Fair Value Changes on Financial Liabilities at Fair Value through Profit or Loss (“FVTPL”)

Our financial liabilities at FVTPL are our preferred shares, warrants and convertible bonds issued to investors. Fair values of preferred shares, warrants and convertible bonds are affected by changes in our equity value and various parameters and inputs. Change in fair value presented in RMB include effect of exchange on translation from US dollars balances. For the years ended December 31, 2021 and 2022, our loss on fair value change of financial liabilities at FVTPL amounted to RMB416.4 million and RMB702.2 million, respectively, which increased in relation to the change in valuation of our preferred shares. For the year ended December 31, 2020, our gain on fair value change of financial liabilities at FVTPL amounted to RMB18.6 million. See note 31.4 to the Accountants’ Report in Appendix I to this Document.

Impairment Losses under Expected Credit Loss Model (“ECL”), Net of Reversal

Our net ECL assets primarily consist of our trade receivables. We typically record impairment losses on our trade receivables and other receivables when we assess that there is a significant increase in the credit risk relating to the relevant customers. We may reverse the impairment loss when the customers eventually paid. For the years ended December 31, 2020, 2021, and 2022, our impairment losses under ECL, net of reversal amounted to RMB32.2 million, RMB30.5 million and RMB51.1 million, respectively. The following table sets forth a breakdown of our impairment losses under ECL, net of reversal for the periods indicated:

	For the year ended December 31,					
	2020		2021		2022	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
<i>Impairment losses, net of reversals, recognized on:</i>						
Trade receivables	32,192	100.1	30,380	99.5	51,066	99.9
Other receivables	(37)	(0.1)	151	0.5	47	0.1
Total	32,155	100.0	30,531	100.0	51,113	100.0

During the Track Record Period, our impairment losses under expected credit loss model, net of reversal as a percentage of revenue was 4.0%, 2.6% and 3.7% respectively, which is consistent with our prudent approach in assessing impairment losses under ECL model. Debtors with outstanding balances of RMB21.0 million, RMB32.2 million and RMB79.3 million as of December 31, 2020, 2021 and 2022, respectively, were assessed individually by our credit management team from continuously monitoring. Our credit management team determines these debtors are 100% credit-impaired in a variety of situations, such as when the debtor is unable to settle due to business operations or financial conditions, or when we have been defrauded by a counterparty that has misused the debtor’s business license. See “– Significant Accounting Policies and Critical Estimates and Judgments – Key sources of

FINANCIAL INFORMATION

estimation uncertainty – Provision of ECL for trade receivables.” We have adopted a series of internal control measures to address the issue and mitigate the relevant credit risk. We have implemented and enhanced the know-your-customer procedures, established a new risk control model that allows us to conduct real-time risk monitoring on customers’ operating condition, and have been closely following the recent development of industry-wide regulations that may affect our customers’ collectability. See “– Quantitative and Qualitative Disclosure of Financial Risks – Credit Risk” for details.

Finance Costs

Our finance costs primarily consist of: (i) interest on interest-bearing loans from banks and other borrowings, (ii) interest on lease liabilities for the leased-in computer devices, buildings and warehouses we leased, and (iii) interest on bond payable. The following table sets forth a breakdown of our finance costs for the years indicated:

	For the year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>		
Interest on borrowings	87,022	124,205	131,325
Interest on lease liabilities	8,320	21,895	37,234
Interest on bond payable	–	137	1,036
	<u> </u>	<u> </u>	<u> </u>
Total	<u> 95,342</u>	<u> 146,237</u>	<u> 169,595</u>

Income Tax (Expense)/Credit

Our income tax (expense)/credit consists of current enterprise income tax and deferred tax. For the year ended December 31, 2020, we had income tax expense of RMB0.7 million. For the years ended December 31, 2021 and 2022, we had income tax credit of RMB2.8 million and RMB34.7 million, respectively.

The following table sets forth a breakdown of our income tax (expense)/credit for the periods indicated, respectively:

	For the year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>		
Current enterprise income tax	(728)	(845)	(901)
Deferred tax	–	3,623	35,559
	<u> </u>	<u> </u>	<u> </u>
Total	<u> (728)</u>	<u> 2,778</u>	<u> 34,658</u>

FINANCIAL INFORMATION

Cayman Islands

Under the current laws of the Cayman Islands, the Company and its subsidiaries incorporated in the Cayman Islands are not subject to tax on income or capital gains. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

Hong Kong

The Company’s subsidiaries domiciled in Hong Kong are subject to a two-tiered income tax rate for taxable income earned in Hong Kong, effectively since April 1, 2018. The first HKD2 million of profit earned by the company is subject to be taxed at an income tax rate of 8.25%, while the remaining profits will be taxed at the existing tax rate, 16.5%. To avoid abuse of the two-tiered tax regime, each group of connected entities can nominate only one entity to benefit from the two-tiered tax rate. Additionally, payments of dividends by the subsidiaries incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax.

PRC

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the Track Record Period.

Beijing Ediantao has been accredited as a “New and High Technical Enterprise” by the Science and Technology Bureau of Beijing and relevant authorities in October 2019 for a term of three years, from 2019 to 2021 and renewed the certificate in December 2022 for another term of three years from 2022 to 2024. In accordance with the “Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax”, a New and High Technical Enterprise is subject to income tax at a tax rate of 15%.

Certain subsidiaries have been approved as Small Low-profit Enterprises. The entitled subsidiaries are subject to a preferential income tax rate of 10% up to December 31, 2022.

According to the relevant laws and regulations in the PRC, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (“Super Deduction”). The State Taxation Administration of the PRC announced in September 2018 that enterprises engaging in research and development activities would be entitled to claim 175% of their research and development expenses as Super Deduction from January 1, 2018 to December 31, 2023.

FINANCIAL INFORMATION

The State Taxation Administration of the PRC announced in September 2022 that enterprises accredited as “New and High Technical Enterprise” would be entitled to claim 100% of the purchase price for equipment and appliances newly purchased during the period from October 1, 2022 to December 31, 2022 as tax deductible expenses and 100% additional deduction for the year ended December 31, 2022.

RESULTS OF OPERATIONS

Year ended December 31, 2021 compared with year ended December 31, 2022

Revenue

Our revenue increased by 15.9% from RMB1,183.7 million for the year ended December 31, 2021 to RMB1,371.9 million for the year ended December 31, 2022, primarily due to an increase in revenue from our pay-as-you-go office IT integrated solutions.

Pay-as-you-go office IT integrated solutions

Revenue from pay-as-you-go office IT integrated solutions increased by 16.8% from RMB997.9 million for the year ended December 31, 2021 to RMB1,165.2 million for the year ended December 31, 2022. The increase was driven by the increase in customers’ subscriptions. The number of our subscribing customers grew from approximately 38,000 as of December 31, 2021 to approximately 42,000 as of December 31, 2022. Our number of devices under subscription remained relatively stable at approximately 1.1 million as of December 31, 2022 and December 31, 2021.

Sales of devices

Revenue from sales of devices increased by 12.0% from RMB172.7 million for the year ended December 31, 2021 to RMB193.5 million for the year ended December 31, 2022. The increase was primarily because we sold more devices in 2022 compared to 2021. We sold 177,360 devices, including 117,165 devices sold through our Epaiji platform in 2022, compared to a totality of 109,786 devices sold, including 36,922 devices sold through Epaiji in 2021.

SaaS and other services

Revenue from our SaaS and other services remained relatively stable at RMB13.2 million for the year ended December 31, 2021 and RMB13.3 million the year ended December 31, 2022.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales increased by 20.5% from RMB618.5 million for the year ended December 31, 2021 to RMB745.3 million for the year ended December 31, 2022, primarily due to the increase in the number of devices sold.

Pay-as-you-go office IT integrated solutions

Cost of pay-as-you-go office IT integrated solutions increased by 14.7% from RMB457.5 million for the year ended December 31, 2021 to RMB524.9 million for the year ended December 31, 2022. This was primarily due to the increase in depreciation costs caused by growth in our device volumes.

Sales of devices

Cost of sales of devices increased by 38.4% from RMB158.0 million for the year ended December 31, 2021 and RMB218.7 million for the year ended December 31, 2022, primarily because we sold an increased amount of devices during the same year.

SaaS and other services

Cost of sales of SaaS and other services decreased by 41.2% from RMB3.0 million for the year ended December 31, 2021 to RMB1.8 million for the year ended December 31, 2022 because we have achieved economies of scale with the increase in the number of our customers.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 10.8% from RMB565.2 million for the year ended December 31, 2021 to RMB626.5 million for the year ended December 31, 2022. Our gross profit margin decreased from 47.7% for the year ended December 31, 2021 to 45.7% for the year ended December 31, 2022. The decrease in our gross profit margin is primarily attributable to decrease in gross profit margin of our sales of devices.

Pay-as-you-go office IT integrated solutions

Gross profit from our pay-as-you-go office IT integrated solutions increased by 18.5% from RMB540.3 million for the year ended December 31, 2021 to RMB640.3 million for the year ended December 31, 2022, whilst the gross profit margin of our pay-as-you-go office IT integrated solutions was 54.1% for the year ended December 31, 2021, which remained relatively stable compared to that of 55.0% for the year ended December 31, 2022.

FINANCIAL INFORMATION

Sales of devices

Gross profit from sales of devices decreased significantly from RMB14.7 million for the year ended December 31, 2021, to a loss of RMB25.2 million for the year ended December 31, 2022, and our gross profit margin of sales of devices decreased from 8.5% for the year ended December 31, 2021 to a loss margin of 13.0% for the year ended December 31, 2022. The gross profit margin of sales of devices decreased primarily because the gross profit margin of our sales of devices through Epaiji platform decreased mainly because (a) we strategically expanded sales of surplus of devices through Epaiji platform with generally lower prices than our previous sales through Epaiji to improve operational efficiency and the utilization rate of our devices. In the years ended December 31, 2021 and 2022, we sold 36,922 and 117,165 devices through our Epaiji platform, respectively. Furthermore, many of our customers on Epaiji platform bid for devices in bulk, and the number of customers with the capabilities to bid for larger amount of devices is smaller, resulting in less competition in bidding, lower purchase price and decreased profit margin; and (b) as the demand in the PC market declined significantly in 2022 with increase in supply in relation to (i) ease on supply chain shortage and (ii) increased supplies of pre-owned devices from companies that disposed self-owned devices due to lay-offs or closures during the same year, we also adjusted the sales price for sales through Epaiji accordingly.

SaaS and other services

Gross profit from SaaS and other services increased from RMB10.2 million for the year ended December 31, 2021, to RMB11.5 million for the year ended December 31, 2022. Gross profit margin of SaaS and other services increased from 77.2% for the year ended December 31, 2021 to 86.7% for the year ended December 31, 2022, primarily because we have achieved economies of scale with the increase in the number of our customers.

Selling and marketing expenses

Our selling and marketing expenses decreased by 9.0% from RMB181.0 million for the year ended December 31, 2021 to RMB164.7 million for the year ended December 31, 2022, 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 sales and marketing activities, in particular offline sales and marketing activities, decreased under the temporary impacts of the COVID-19 Outbreak in 2022.

FINANCIAL INFORMATION

Research and development expenses

Our research and development expenses increased by 35.4% from RMB62.1 million for the year ended December 31, 2021 to RMB84.0 million for the year ended December 31, 2022, primarily due to an increase in employee salaries and benefit expenses driven by the increase in employee number of our research and development team in relation to our new R&D programs and in line with our business strategy.

General and administrative expenses

Our general and administrative expenses increased by 35.7% from RMB78.2 million for the year ended December 31, 2021 to RMB106.1 million for the year ended December 31, 2022, mainly due to an increase in employee compensation mainly in relation to the increase in the number of our employees.

Finance costs

Our finance costs increased by 16.0% from RMB146.2 million for the year ended December 31, 2021 to RMB169.6 million for the year ended December 31, 2022, primarily due to increase on interest on lease liabilities primarily in relation to the increase in our leased-in devices.

Other income

Our other income increased from RMB9.6 million for the year ended December 31, 2021 to RMB48.9 million for the year ended December 31, 2022, as certain of our subsidiaries became eligible for additional VAT input deduction.

Other gains and losses, net

We recorded other net gains from RMB6.2 million for the year ended December 31, 2021 and net losses of RMB15.9 million for the year ended December 31, 2022. Such decrease was mainly attributable to increase in loss on written-off of rental computer devices 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.

Loss on fair value change on financial liabilities at FVTPL

Our loss on the fair value change on financial liabilities at FVTPL increased from RMB416.4 million for the year ended December 31, 2021 to RMB702.2 million in the year ended December 31, 2022, which was primarily related to change in the valuation of our preferred shares.

FINANCIAL INFORMATION

Impairment losses under ECL, net of reversal

Our impairment losses under ECL, net of reversal increased by 67.4%, from RMB30.5 million for the year ended December 31, 2021 to RMB51.1 million for the year ended December 31, 2022, primarily due to the increase in the amount of trade receivables and the increase in estimated default rates.

Income Tax (Expense)/Credit

Our income tax credit increased from RMB2.8 million for the year ended December 31, 2021 to RMB34.7 million for the year ended December 31, 2022, mainly driven by an increase in the deferred tax we recognized as of December 31, 2022. See note 10B in Appendix I to this document.

Loss for the Year

As a result of the foregoing, our loss for the period increased from RMB348.2 million for the year ended December 31, 2021 to RMB611.6 million for the year ended December 31, 2022.

Year ended December 31, 2021 compared with the year ended December 31, 2020

Revenue

Our 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, primarily due to an increase in revenue from our pay-as-you-go office IT integrated solutions.

Pay-as-you-go office IT integrated solutions

Revenue from 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. The increase was driven by the increase in customers' subscriptions. 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. Our number of devices under subscription grew from approximately 0.8 million to approximately 1.1 million during the same period.

Sales of devices

Revenue from sales of devices increased by 9.8% from RMB157.3 million for the year ended December 31, 2020 to RMB172.7 million for the year ended December 31, 2021. This was because we sold surplus or less popular devices (which are usually priced lower than new devices or popular devices) more actively for the purpose of managing the efficiency of our devices.

FINANCIAL INFORMATION

SaaS and other services

Revenue from our SaaS and other services increased by 5.1% from RMB12.5 million for the year ended December 31, 2020 to RMB13.2 million for the year ended December 31, 2021.

Cost of sales

Our cost of sales increased by 29.9% from RMB476.1 million for the year ended December 31, 2020 to RMB618.5 million for the year ended December 31, 2021, which is generally in line with our revenue growth.

Pay-as-you-go office IT integrated solutions

Cost of pay-as-you-go office IT integrated solutions increased by 38.0% from RMB331.6 million for the year ended December 31, 2020 to RMB457.5 million for the year ended December 31, 2021. This was primarily due to the increase in depreciation costs caused by growth in our device volumes. In order to meet the expected growth in demand for our pay-as-you-go office IT integrated solutions and to maintain our market expansion strategy, we had strategically increased our device volume. We had approximately 1.1 million devices under subscription as of December 31, 2021, as compared with approximately 0.8 million devices under subscription as of December 31, 2020.

Sales of devices

Cost of sales of devices increased by 10.9% from RMB142.4 million for the year ended December 31, 2020 to RMB158.0 million for the year ended December 31, 2021, which is in line with the revenue growth from sales of devices.

SaaS and other services

Cost of sales of SaaS and other services increased by 48.1% from RMB2.0 million for the year ended December 31, 2020 to RMB3.0 million for the year ended December 31, 2021.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 67.7% from RMB337.0 million for the year ended December 31, 2020 to RMB565.2 million for the year ended December 31, 2021. Our gross profit margin increased from 41.4% for the year ended December 31, 2020 to 47.7% for the year ended December 31, 2021. The increase in our gross profit and gross profit margin is primarily attributable to the growth in profitability of our pay-as-you-go office IT integrated solutions.

FINANCIAL INFORMATION

Pay-as-you-go office IT integrated solutions

Gross profit from our pay-as-you-go office IT integrated solutions increased by 73.4% from RMB311.7 million for the year ended December 31, 2020 to RMB540.3 million for the year ended December 31, 2021, whilst the gross profit margin of our pay-as-you-go office IT integrated solutions increased from 48.5% for the year ended December 31, 2020 to 54.1% for the year ended December 31, 2021. The increase of gross profit margin is primarily attributable to: (i) our better bargaining position under economies of scale in procurement negotiations, enabling us to procure devices at a lower price 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 (iii) our improved efficiency in service delivery and risk control.

Sales of devices

Gross profit from sales of devices was RMB14.8 million for the year ended December 31, 2020, and remained relatively stable at RMB14.7 million for the year ended December 31, 2021, and our gross profit margin of sales of devices remained relatively stable at 9.4% and 8.5% for the years ended December 31, 2020 and 2021, respectively.

SaaS and other services

Gross profit from SaaS and other services was RMB10.5 million for the year ended December 31, 2020 and remained relatively stable at RMB10.2 million for the year ended December 31, 2021. Gross profit margin of SaaS and other services decreased from 83.8% for the year ended December 31, 2020 to 77.2% for the year ended December 31, 2021, primarily due to that the types of maintenance tasks requested by customers varied from period to period while gross profit from SaaS services remained stable.

Selling and marketing expenses

Our selling and marketing expenses increased by 52.1% from RMB119.0 million for the year ended December 31, 2020 to RMB181.0 million for the year ended December 31, 2021, primarily due to our increased investment in advertisement and marketing campaigns, the increased number of our sales and marketing employees, and the adoption of an employee share option plan to increase employee compensation, which was in line with our business expansion strategy.

Research and development expenses

Our research and development expenses increased by 7.1% from RMB57.9 million for the year ended December 31, 2020 to RMB62.1 million for the year ended December 31, 2021, primarily due to the increase in the compensation to our research and development employees, and the adoption of an employee share option plan to increase the employee compensation as a result of our business strategy to recruit and foster a more sophisticated and fully-fledged research and development team.

FINANCIAL INFORMATION

General and administrative expenses

Our general and administrative expenses decreased by 29.1% from RMB110.3 million for the year ended December 31, 2020 to RMB78.2 million for the year ended December 31, 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 higher than that in the other years.

Finance costs

Our finance costs increased by 53.4% from RMB95.3 million for the year ended December 31, 2020 to RMB146.2 million for the year ended December 31, 2021, primarily due to increases in (i) interest on interest-bearing loans from banks and other borrowings, and (ii) interest on our leased-in computer devices and our leased buildings and warehouses, which are increasing as a result of our business expansion.

Other income

Our other income decreased by 53.5% from RMB20.7 million for the year ended December 31, 2020 to RMB9.6 million for the year ended December 31, 2021, primarily due to the decrease of RMB10.0 million in interest income from banks, which was because we converted our bank deposits to cash for device procurement and reorganization purposes.

Other gains and losses, net

We recorded other net losses of RMB49.3 million for the year ended December 31, 2020 and other net gains of RMB6.2 million for the year ended December 31, 2021. Such change was primarily due to our RMB14.9 million net exchange gain for the year ended December 31, 2021 compared to our RMB33.6 million net exchange loss for the year ended December 31, 2020, and our RMB0.5 million gain on changes in fair value of financial assets at FVTPL for the year ended December 31, 2021 compared to our RMB3.2 million loss on changes in fair value of financial assets at FVTPL for the year ended December 31, 2020. The change of our recorded net exchange loss to net exchange gain was mainly caused by foreign exchange rate changes. We recorded an RMB3.2 million loss on the fair value change on financial assets at FVTPL for the year ended December 31, 2020, primarily due to the fair value change of certain stocks we held in the nine months ended September 30, 2020, which were later disposed of before the end of 2020, and recorded an RMB0.5 million gain on the fair value change on financial assets at FVTPL for the year ended December 31, 2021, which was mainly fair value change of our structured deposits.

FINANCIAL INFORMATION

Loss on fair value change on financial liabilities at FVTPL

Our gain on the fair value change on financial liabilities at FVTPL was RMB18.6 million for the year ended December 31, 2020, which was primarily related to our preferred shares and warrants. For the year ended December 31, 2021, our loss on the fair value change on financial liabilities at FVTPL was RMB416.4 million, which was primarily related to our preferred shares.

Impairment losses under ECL, net of reversal

Our impairment losses under ECL, net of reversal decreased by 5.1%, from RMB32.2 million for the year ended December 31, 2020 to RMB30.5 million for the year ended December 31, 2021, primarily due to our strengthened risk control measures which reduce the amount of long-term trade receivables and alleviate the credit risk we are exposed to.

Income Tax (Expense)/Credit

Our income tax expense for the year ended December 31, 2020 was RMB0.7 million, while our income tax credit for the year ended December 31, 2021 was RMB2.8 million. The income tax credit in 2021 was mainly due to the RMB4.5 million deferred tax assets we recognized as of December 31, 2021, which arose from deductible temporary differences and unused tax losses to the extent that we would have sufficient taxable profit in the future. See notes 10A and 10B in Appendix I to this document.

Loss for the Year

As a result of the foregoing, our loss for the period increased significantly from RMB88.4 million for the year ended December 31, 2020 to RMB348.2 million for the year ended December 31, 2021.

FINANCIAL INFORMATION

DESCRIPTION OF CERTAIN ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets out our consolidated statement of financial position as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>		
Assets			
Non-current assets			
Rental computer devices	1,236,476	1,616,011	1,456,992
Right-of-use assets	113,587	410,045	495,220
Intangible assets	63	1,059	649
Trade and other receivables and prepayments	130,870	237,277	220,442
Pledged bank deposits and time deposits	81,681	33,000	45,504
Deferred tax assets	–	4,450	39,182
Other non-current assets	7	–	–
	<u>1,562,684</u>	<u>2,301,842</u>	<u>2,257,989</u>
Total non-current assets			
Current assets			
Inventories	4,466	3,888	3,929
Contract costs	–	–	1,337
Trade and other receivables and prepayments	111,575	159,623	214,118
Debt instruments at fair value through other comprehensive income	–	34,850	–
Amounts due from shareholders	5	41	41
Structured deposits	32,015	32,009	–
Cash and cash equivalents	725,366	542,568	505,803
Pledged bank deposits and time deposits	73,808	35,439	54,376
	<u>947,235</u>	<u>808,418</u>	<u>779,604</u>
Total current assets			
	<u>2,509,919</u>	<u>3,110,260</u>	<u>3,037,593</u>
Total assets			
Equity			
Paid-in capital/share capital	667	43	43
Reserves	70,484	80,397	97,496
Accumulated losses	(1,047,079)	(1,395,690)	(2,007,887)
	<u>(975,928)</u>	<u>(1,315,250)</u>	<u>(1,910,348)</u>
Total deficits			

FINANCIAL INFORMATION

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>		
Liabilities			
Non-current liabilities			
Borrowings	346,079	383,550	320,586
Deferred tax liabilities	–	827	–
Bond payable	–	11,250	–
Lease liabilities	47,457	124,557	103,062
Financial liabilities at FVTPL	–	2,282,188	2,984,358
Current liabilities			
Trade and other payables	94,581	163,682	188,563
Amounts due to preferred shareholders	159,675	–	–
Amounts due to shareholders	–	1,779	1,841
Deposits received for rental computer devices	16,148	12,755	12,032
Advanced lease payments	16,152	30,330	51,285
Contract liabilities	4,073	7,715	12,385
Income tax payable	2,288	3,015	3,838
Lease liabilities	47,151	167,194	185,934
Bond payable	–	14,888	11,040
Borrowings	894,785	1,221,780	1,072,717
Financial Liabilities at FVTPL	1,857,458	–	–
Total current liabilities	<u>3,092,311</u>	<u>1,623,138</u>	<u>1,539,635</u>
Net current liabilities	<u>(2,145,076)</u>	<u>(814,720)</u>	<u>(760,031)</u>
Total liabilities	<u><u>3,485,847</u></u>	<u><u>4,425,510</u></u>	<u><u>4,947,941</u></u>
Total deficits and liabilities	<u><u>2,509,919</u></u>	<u><u>3,110,260</u></u>	<u><u>3,037,593</u></u>

Rental Computer Devices

The rental computer device is referring to the IT devices owned by us and provided in our subscription pack. The carrying amount of our rental computer devices increased from RMB1,236.5 million as of December 31, 2020 to RMB1,616.0 million as of December 31, 2021, due to our increasing demand for computer devices to support our business expansion. The carrying amount of our rental computer devices decreased to RMB1,457.0 million as of December 31, 2022, primarily due to the relevant depreciation costs. As of December 31, 2020, 2021 and 2022, respectively, we had approximately 29,000, 39,000 and 43,000 active customers and approximately 0.8 million, 1.1 million and 1.1 million devices under service, including both self-owned and leased-in devices. Considering such strong indicators of a rapid growth in demand for our services, we have been expanding our purchase of devices.

FINANCIAL INFORMATION

The following table sets out a breakdown of our self-owned rental computer devices by type for the periods indicated:

	As of December 31,		
	2020	2021	2022
Laptops	393,586	468,341	453,845
Monitors	172,920	269,995	269,644
Desktops	177,046	234,006	228,773
Others ⁽¹⁾	11,417	16,710	18,704
Total	754,969	989,052	970,966

Note:

- (1) Others mainly include all-in-one PCs, workstations, servers, tablets, mobile phones, printers and other computer accessories or electronic devices.

Rental computer devices with a total carrying value of RMB932.4 million as of December 31, 2022 were pledged as security for certain of our interest-bearing borrowings as well as the associated collection rights of future rental proceeds for rental computer devices with a carrying value of RMB15.7 million. As of the Latest Practicable Date, such collection rights had not been exercised or terminated.

Right-of-use Assets

Our right-of-use assets primarily consisted of our leased-in computer devices as well as our leased buildings and warehouses during the Track Record Period. Our right-of-use leased-in rental computer devices increased from RMB96.8 million as of December 31, 2020 to RMB379.5 million as of December 31, 2021 to RMB459.3 million as of December 31, 2022. The carrying amount of our leased-in rental computer devices represented 7.3%, 19.0% and 24.0% of the total carrying amount of our leased in rental computer devices and self-owned rental computer devices as of December 31, 2020, 2021 and 2022, respectively. As our business continued growing with an increasing customer demand in our services and devices, we explored the approach of obtaining leased-in devices through finance leasing arrangements in addition to purchase of devices to optimize our capital expenditure structure. Since 2021, in order to meet the further increasing demand, we have expanded the number of leased-in devices through finance leasing arrangements, resulting in a significant increase in the carrying amount of the leased-in devices. Our right-of-use buildings and warehouses increased from RMB16.8 million as of December 31, 2020 to RMB30.5 million as of December 31, 2021, which then increased to RMB35.9 million as of December 31, 2022.

The increase of our right-of-use assets across the Track Record Period was mainly due to our increasing demand in computer devices, buildings and warehouses to support our business expansion.

FINANCIAL INFORMATION

Intangible Assets

Our intangible assets during the Track Record Period primarily consisted of software acquired from third parties. Our intangible assets increased from RMB0.06 million as of December 31, 2020 to RMB1.1 million as of December 31, 2021 mainly because we changed our software supplier in 2021 and purchased software with more advanced functions, which was more expensive. Our intangible assets decreased to RMB0.6 million as of December 31, 2022, as a result of amortization of intangible assets.

Inventories

Our inventories, which accounted for 0.2%, 0.1% and 0.1% of our total assets as of December 31, 2020, 2021, and 2022, respectively, primarily consist of (i) raw materials, which are mainly device components and accessories; and (ii) used rental computer devices held for sale. The following table sets forth a breakdown of our inventories as of the date indicated:

	As of December 31,		
	2020	2021	2022
	RMB'000		
Raw materials	2,436	14	11
Used rental computer devices held for sale	2,030	3,874	3,918
Total	4,466	3,888	3,929

Our raw materials decreased from RMB2.4 million as of December 31, 2020 to RMB0.01 million as of December 31, 2021, primarily due to a lower number of procured components for the assembling of computer devices under our proprietary brand, which is in line with our strategy to shrink the scale of such business during the Track Record Period. Our raw materials remained relatively stable at RMB0.01 million as of December 31, 2022 compared to that as of December 31, 2021. Our used rental computer devices held for sale increased from RMB2.0 million as of December 31, 2020 to RMB3.9 million as of December 31, 2021, which is in line with the expansion strategy for our pay-as-you-go office IT integrated solutions to actively sell obsolete or less popular devices and to update our computer devices in order to provide a more attractive subscription package to our customers. Our used rental computer devices held for sale remained stable at RMB3.9 million as of December 31, 2022 compared to that as of December 31, 2021.

Trade and Other Receivables and Prepayments

Our trade and other receivables and prepayments represent (i) trade receivables from our pay-as-you-go office IT integrated solutions, (ii) trade receivables from our contracts with customers, which include sales of our devices as well as SaaS and other services, and (iii) other receivables and prepayments. In particular, during the Track Record Period, our non-current

FINANCIAL INFORMATION

trade receivables mainly represented trade-receivables arisen from installment sales of devices, the repayment periods of which normally ranged from one to three years. Our non-current trade receivables amounted to RMB78.8 million, RMB63.2 million and RMB47.8 million as at December 31, 2020, 2021 and 2022, respectively, primarily reflecting the changes of installment sales of devices and the collection of receivables.

Our non-current trade receivables as of December 31, 2020 increased compared to that as of December 31, 2021 primarily due to the increase in revenue from installment sales of devices. Our non-current trade receivables as of December 31, 2022 decreased slightly compared to that as of December 31, 2021, primarily due to our increased allowance for credit losses.

The following table sets forth our trade and other receivables and prepayments as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>		
(a) Trade receivables			
Trade receivables – Pay-as-you-go office IT integrated solution revenue recognized as lease income under IFRS 16	97,145	151,734	188,748
Trade receivables – contracts with customers	126,502	138,259	133,638
Less: Allowance for credit losses	<u>(81,120)</u>	<u>(111,500)</u>	<u>(159,568)</u>
Subtotal	<u>142,527</u>	<u>178,493</u>	<u>162,818</u>
(b) Other receivables and prepayments			
Staff advances	576	844	552
Advance to suppliers	11,492	20,772	21,677
Recoverable value-added tax	31,387	21,026	13,960
Prepayments for [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Rental and other deposits	52,118	168,956	228,182
Deferred [REDACTED] costs	[REDACTED]	[REDACTED]	[REDACTED]
Others	4,420	2,728	3,975
Less: Allowance for credit losses	<u>(75)</u>	<u>(226)</u>	<u>(273)</u>
Subtotal	<u>99,918</u>	<u>218,407</u>	<u>271,242</u>

FINANCIAL INFORMATION

Before the allowance for credit losses of trade receivables, as of December 31, 2020, 2021 and 2022, our trade receivables were RMB223.6 million, RMB290.0 million and RMB322.4 million, respectively. The increases in our trade receivables throughout the Track Record Period were due to the increasing amount of transactions in line with our business expansion. Our other receivables and prepayments before the allowance for credit losses amounted to RMB100.0 million, RMB218.6 million and RMB271.7 million as of December 31, 2020, 2021, and 2022, respectively. The increase in our other receivables and prepayments during the Track Record Period was primarily due to the increasing amount of (i) rental deposits, which was required by the lessors of our finance leasing arrangements to acquire some of our leased-in computer devices and (ii) other deposits, being the purchase deposits required by device suppliers primarily in relation to the increase in our leased-in devices. Under our right-of-use assets, the carrying amounts of our leased-in computer devices amounted to RMB96.8 million, RMB379.5 million and RMB459.3 million as of December 31, 2020, 2021, and 2022, respectively. Such increase was primarily due to our increasing demand for computer devices to support our business expansion.

The following table sets forth the aging analysis of our trade receivables, net of impairment losses under ECL model, as of the date indicated based on the billing date:

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>		
Within 30 days	128,129	167,702	149,959
31 to 60 days	10,013	6,516	3,529
61 to 90 days	1,804	1,489	1,932
91 to 180 days	1,356	1,532	2,962
181 to 270 days	622	814	1,263
271 to 360 days	116	362	1,216
Over 360 days	487	78	1,957
Total	<u>142,527</u>	<u>178,493</u>	<u>162,818</u>
Average Trade receivables turnover days⁽¹⁾	57	49	45

(1) Trade receivables turnover days for each period equal the average of the opening and ending balance of trade receivables (net of ECLs) for that period divided by revenue for the same period and multiplied by 365 days for a full-year period.

In consistency with industry practice, our average trade receivables turnover days decreased from 57 days for the year ended December 31, 2020 to 49 days for the year ended December 31, 2021, and further to 45 days for the year ended December 31, 2022, partially due to our strengthened risk control measures and customer management capabilities, which reduced the amount of trade receivables that are long past due. The decrease was also attributable to the increased revenue contribution by our pay-as-you-go office IT integrated

FINANCIAL INFORMATION

solutions, the trade receivables turnover days of which are usually shorter than those of sales of devices. Since customers normally subscribe to our pay-as-you-go office IT integrated solutions on a monthly basis, we recognize corresponding trade receivables month by month throughout the subscription periods, and consequently the typical trade receivables turnover days are relatively short. In comparison, for trade receivables arisen from installment sales of devices, the repayment periods normally range from one to three years, while we recognized trade receivables in full at the time when the sales are made, which consequently leads to longer trade receivables turnover days. Therefore, with the increased revenue contribution of our pay-as-you-go office IT integrated solutions as a percentage of our total revenue, the overall trade receivables turnover days decreased.

We have assessed the recoverability of the relevant outstanding trade receivables, and have maintained frequent communications with our customers to ensure effective credit control. We believe that the risk of not being able to recover the relevant trade receivables is relatively low primarily because (i) we have evaluated the customers' historical credit standings and have not had material collection issues with these customers in the past; (ii) we have taken follow-up actions as appropriate, including making phone calls, issuing demand letters, visiting the customer's office and initiating legal proceedings or actions where necessary; and (iii) we have taken various measures to enhance collection efforts and manage our credit risk, see "– Quantitative and Qualitative Disclosure of Financial Risks – Credit Risk" for details. As of March 1, 2023, the subsequently settled trade receivables as of December 31, 2020, 2021, and 2022 amounted to RMB164.0 million, RMB205.4 million and RMB62.5 million, respectively, accounting for 73.3%, 71.0% and 19.4% of our gross amount of trade receivables as of the respective period ends. The percentage of subsequently settled trade receivables as of December 31, 2022 was relatively lower primarily due to the comparatively short period of time between December 31, 2022 and March 1, 2023. The carrying amounts of trade receivables amounted to RMB142.5 million, RMB178.5 million and RMB162.8 million as of December 31, 2020, 2021, and 2022, respectively. In view of the above, we believe there is no recoverability issue for our trade receivables.

We determine the provision for impairment of trade receivables based on expected credit losses, calculated by using the simplified approach as prescribed by IFRS 9. Except for debtors with significant balances and credit-impaired assessed individually, we estimate the amount of lifetime ECL of trade receivables on a collective basis by using provision matrix through grouping of various debtors that have similar loss patterns, after considering ageing, internal credit ratings of trade debtors, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and forward looking information that is available without undue cost or effort. In view of the above, we consider the provision of ECL for trade receivables as of the respective period ends of the Track Record Period is sufficient.

Cash and Cash Equivalents

Our cash and cash equivalents primarily represent cash that we have in bank accounts and in term deposits. As of December 31, 2020, our cash and cash equivalents amounted to RMB725.4 million (of which RMB643.7 million was originally denominated in US dollars). Our cash and cash equivalents decreased to RMB542.6 million as of December 31, 2021 (of

FINANCIAL INFORMATION

which RMB231.4 million was originally denominated in US dollars), mainly used in our operating activities, and further decreased to RMB505.8 million as of December 31, 2022 (of which RMB52.6 million was originally denominated in US dollars), primarily due to repayments of bank and other borrowings. Our cash and cash equivalents are primarily denominated in RMB and US dollars and carried interest rates ranging from 0.001% to 3.70% per annum throughout the Track Record Period.

Trade and Other Payables

Our trade and other payables primarily relate to payments of salary and welfare payables, other tax payables and accrued expenses. The following table sets forth our trade and other payables as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>		
Trade payables	53,789	63,796	103,709
Salary and welfare payables	26,935	36,390	40,295
Other tax payables	4,578	22,569	17,230
Accrued expenses	9,173	23,156	19,858
Other payables	–	7,522	–
Accrued [REDACTED] expense and [REDACTED] costs	[REDACTED]	[REDACTED]	[REDACTED]
Others	106	976	949
Total	94,581	163,682	188,563

The following table sets forth an aging analysis of our trade payables as of the date indicated based on the billing date and trade payable turnover days for the periods indicated:

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>		
Within 12 months	48,144	56,394	95,741
1 to 2 years	2,907	1,813	1,101
2 to 3 years	2,631	2,862	1,289
Over 3 years	107	2,727	5,578
Total	53,789	63,796	103,709
Average trade payables turnover days⁽¹⁾	43	35	41

(1) Average trade payables turnover days for each period equal the average of the opening and ending balance of trade payables for that period divided by cost of sales for the same period and multiplied by 365 days for a full-year period.

FINANCIAL INFORMATION

Our average trade payables turnover days decreased from 43 days for the year ended December 31, 2020 to 35 days for the year ended December 31, 2021. It then increased to 41 days for the year ended December 31, 2022, primarily due to we have obtained more favorable terms with our suppliers based on our good track record.

Our trade and other payables increased from RMB94.6 million as of December 31, 2020 to RMB163.7 million as of December 31, 2021, and further to RMB188.6 million as of December 31, 2022. The increase was in line with our enlarged procurement of devices to support our business expansion.

As of March 1, 2023, RMB51.9 million (or 96.4%), and RMB61.2 million (or 95.9%) and RMB65.2 million (or 62.8%) of our trade payables as of December 31, 2020, 2021, and 2022, respectively, were subsequently settled. As of March 1, 2023, RMB40.6 million (or 99.7%), RMB99.3 million (or 99.4%) and RMB63.3 million (or 74.6%) of our other payables and accruals as of December 31, 2020, 2021 and 2022, respectively, were subsequently settled.

Contract liabilities

Contract liabilities represent our obligations to provide the contracted services. Our contract liabilities mainly arise from our customers' upfront payment for our services or sales of devices. Our contract liabilities increased from RMB4.1 million as of December 31, 2020 to RMB7.7 million as of December 31, 2021, to RMB12.4 million as of December 31, 2022, primarily due to the expansion of our business and an enlarged customer base.

Income Tax Payable

Our income tax payable represents PRC EIT payables. Our income tax payable increased from RMB2.3 million as of December 31, 2020 to RMB3.0 million as of December 31, 2021, and further to RMB3.8 million as of December 31, 2022.

Lease Liabilities

Lease liabilities represent our obligations under the existing leases. At the commencement date of a lease, we recognize and measure the lease liabilities at the present value of lease payments that are unpaid at that date. After the commencement date, lease liabilities are adjusted by interest accretion and lease payments. Our lease liabilities increased from RMB94.6 million as of December 31, 2020 to RMB291.8 million as of December 31, 2021, primarily due to the increase in the amount of devices we leased from third parties, which was further due to the demand increase in our device volume as a result of our business expansion, and remained relatively stable at RMB289.3 million as of December 31, 2022.

FINANCIAL INFORMATION

Borrowings

Our borrowings represent borrowings and other loans. Our borrowings increased from RMB1,240.9 million as of December 31, 2020 to RMB1,605.3 million as of December 31, 2021, in line with our business expansion and decreased to RMB1,393.3 million as of December 31, 2022, primarily due to our increased repayment of borrowings. As of December 31, 2020, 2021, and 2022, 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. Based on such strong indicators of a rapid growth in demand in our services, we proactively sought funding resources and incurred an increasing amount of borrowing primarily to purchase devices to meet the potential growth in demand and to expand our business. The table below sets forth our borrowings for the dates indicated:

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>		
Bank Borrowings	586,163	638,328	585,372
Bank borrowings relating to bills discounted with recourse	–	34,850	–
Borrowings from other financial institutions	<u>654,701</u>	<u>932,152</u>	<u>807,931</u>
Total	<u>1,240,864</u>	<u>1,605,330</u>	<u>1,393,303</u>
Secured	<u>1,202,266</u>	<u>1,605,330</u>	<u>1,393,303</u>
Unsecured	<u>38,598</u>	<u>–</u>	<u>–</u>

Our borrowing agreements contain standard terms, conditions and restrictive covenants that were customary for commercial bank loans. See “Financial Information – Indebtedness – Borrowings.”

FINANCIAL INFORMATION

NET CURRENT LIABILITIES/ASSETS

The following table sets forth details of our net current liabilities/assets as of the date indicated:

	As of December 31,			As of
	2020	2021	2022	January 31, 2023
	<i>RMB'000</i>			
				<i>(Unaudited)</i>
Current assets				
Inventories	4,466	3,888	3,929	3,857
Contract costs	–	–	1,337	1,337
Trade and other receivables and prepayments	111,575	159,623	214,118	191,988
Debt instruments at fair value through other comprehensive income	–	34,850	–	–
Amounts due from shareholders	5	41	41	41
Structured deposits	32,015	32,009	–	35,056
Cash and cash equivalents	725,366	542,568	505,803	575,610
Pledged bank deposits and time deposits	73,808	35,439	54,376	47,844
	<u>947,235</u>	<u>808,418</u>	<u>779,604</u>	<u>855,733</u>
Total current assets				

	As of December 31,			As of
	2020	2021	2022	January 31, 2023
	<i>RMB'000</i>			
				<i>(Unaudited)</i>
Current liabilities				
Trade and other payables	94,581	163,682	188,563	157,816
Amounts due to preferred shareholders	159,675	–	–	–
Amounts due to shareholders	–	1,779	1,841	1,841
Deposits received for rental computer devices	16,148	12,755	12,032	14,049
Advanced lease payments	16,152	30,330	51,285	34,528
Contract liabilities	4,073	7,715	12,385	11,036
Income tax payable	2,288	3,015	3,838	3,838

FINANCIAL INFORMATION

	As of December 31,			As of
	2020	2021	2022	January 31, 2023
	<i>RMB'000</i>			
	<i>(Unaudited)</i>			
Lease liabilities	47,151	167,194	185,934	179,172
Bond payable	–	14,888	11,040	11,093
Borrowings	894,785	1,221,780	1,072,717	1,080,018
Financial Liabilities at FVTPL	1,857,458	–	–	–
Total current liabilities	3,092,311	1,623,138	1,539,635	1,493,391
Net current liabilities	(2,145,076)	(814,720)	(760,031)	(637,658)

We had net current liabilities of RMB2,145.1 million, RMB814.7 million and RMB760.0 million as of December 31, 2020, 2021, and 2022. Our net current liabilities as of each of these dates was primarily attributable to our financial liabilities at fair value through profit or loss (“FVTPL”) related to preferred shares, warrants and convertible bonds issued to investors, as well as our net borrowings incurred mainly to procure or rent new devices to support our business expansion.

We had net current liabilities of RMB760.0 million as of December 31, 2022, compared with net current liabilities of RMB814.7 million as of December 31, 2021. Such change was primarily due to (i) decrease in current borrowings from RMB1,221.8 million as of December 31, 2021 to RMB1,072.7 million as of December 31, 2022. As we increased the portion of leased-in-devices out of the total number of devices, we managed to achieve a net operating cash inflow in the year ended December 31, 2022, which was partially used for repayments of liabilities; and (ii) increase in trade and other receivables and prepayments from RMB159.6 million as of December 31, 2021 to RMB214.1 million as of December 31, 2022, partially offset by decrease in cash and cash equivalents from RMB542.6 million as of December 31, 2021 to RMB505.8 million as of December 31, 2022.

We had net current liabilities of RMB814.7 million as of December 31, 2021, compared with net current liabilities of RMB2,145.1 million as of December 31, 2020. Such change was primarily due to a decrease in the current portion of financial liabilities at FVTPL from RMB1,857.5 million as of December 31, 2020 to nil as of December 31, 2021, as partially offset by (i) an increase in current borrowings from RMB894.8 million as of December 31, 2020 to RMB1,221.8 million as of December 31, 2021, and (ii) an increase of current lease liabilities from RMB47.2 million as of December 31, 2020 to RMB167.2 million as of December 31, 2021.

FINANCIAL INFORMATION

For more discussion on our historical net current liabilities, see “– Liquidity and Capital Resources.” For a discussion of relevant risks, see “Risk Factors – We have incurred, and in the future may continue to incur, net losses and negative cash outflow. We also recorded net current liabilities and negative equity, or net deficit, during the Track Record Period, which could expose us to liquidity risks.”

LIQUIDITY AND CAPITAL RESOURCES

Our primary use of cash is for working capital. As of December 31, 2020, 2021 and 2022, we had cash and cash equivalents of RMB725.4 million, RMB542.6 million and RMB505.8 million, respectively. During the Track Record Period, our principal sources of liquidity and capital resources were cash generated from customers’ subscription fees, bank balances, time deposits and borrowings. We monitor our cash flows and cash balance, our procurement pace and our funding plan on a regular basis. We strive to maintain optimal liquidity that meets our working capital needs while balancing with our business growth. In addition, our risk management capability also contributes to our liquidity management. See also “Business – Risk Management and Internal Control – Risk Management – Cash Management.”

Our net current liabilities position during the Track Record Period was primarily due to (i) borrowings to fund our operations, in particular for the procurement of devices, and (ii) financial liabilities at fair value through profit or loss. We plan to fund our operations through our improved financial condition and the followings:

- *Steady cash generated from customers’ subscription fees.* We generate cash from customers’ subscription fees paid for our subscription services, which are usually steady and relatively predictable.
- *Borrowings and relationships with financial institutions.* We are able to obtain bank and other borrowings as necessary, as we maintain stable relationships with banks and other financial institutions.
- *Net [REDACTED] from the [REDACTED].* We expect to receive net [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED], based on the low end of the indicative [REDACTED] range set out in this document.

See also “Business – Business Sustainability.”

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including our cash and cash equivalents, available borrowings, as well as estimated net [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital required for our operations at present and for at least the next 12 months from the date of this document. Going forward, we believe our liquidity requirements will be satisfied by using funds from a

FINANCIAL INFORMATION

combination of our cash and cash equivalents, bank and other borrowings and net [REDACTED] from the [REDACTED]. Other than the bank and other borrowings that we may obtain, we do not have any plans for material external debt financing.

With same bases as set above, the Sole Sponsor concurs with the Directors' view that the Company has sufficient working capital required for its operations at present and for at least the next 12 months from the date of this document.

Cash Flows

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the periods indicated:

	For the year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>		
Operating cash flows before movements in working capital	304,100	562,036	681,552
Changes in working capital ⁽¹⁾	(572,582)	(769,007)	(85,925)
Income taxes paid	(27)	(118)	(78)
Net cash (used in)/from operating activities	<u>(268,509)</u>	<u>(207,089)</u>	<u>595,549</u>
Net cash (used in)/from investing activities	<u>(29,791)</u>	<u>86,283</u>	<u>1,479</u>
Net cash from/(used in) financing activities	<u>753,136</u>	<u>(47,077)</u>	<u>(636,055)</u>
Net increase/(decrease) in cash and cash equivalents	<u><u>454,836</u></u>	<u><u>(167,883)</u></u>	<u><u>(39,027)</u></u>
Cash and cash equivalents at the beginning of the year	280,669	725,366	542,568
Effect of foreign exchange rate changes	(10,139)	(14,915)	2,262
Cash and cash equivalents at the end of the year	<u><u>725,366</u></u>	<u><u>542,568</u></u>	<u><u>505,803</u></u>

Note:

- 1) Changes in working capital are mainly caused by our procurement of devices to support our continuous investment in our business development.

FINANCIAL INFORMATION

Net cash from/used in operation activities

For the year ended December 31, 2022, we had net cash from operation activities of RMB595.5 million, which was primarily attributable to loss before income tax of RMB646.3 million, adjusted to reflect RMB164.9 million in increase in rental computer devices reflecting the growth of our pay-as-you-go office IT integrated solutions, and RMB79.4 million in decrease in trade and other payables, which was partially offset by RMB100.0 million in decrease in trade and other receivables and prepayments by excluding non-cash item primarily comprising (i) RMB308.6 million in depreciation of rental computer devices, and (ii) RMB702.2 million in loss on fair value changes of financial liabilities at fair value through profit or loss. In addition, for the purpose of recategorizing financing costs into financing activities, we also add back RMB169.6 million finance costs.

For the year ended December 31, 2021, we had net cash used in operation activities of RMB207.1 million, which was primarily attributable to loss before income tax of RMB351.0 million, adjusted to reflect an increase of RMB774.3 million in rental computer devices reflecting the growth of our pay-as-you-go office IT integrated solutions, by excluding non-cash item primarily comprising (i) RMB251.7 million in depreciation of rental computer devices, and (ii) RMB416.4 million in loss on fair value changes of financial liabilities at fair value through profit or loss. In addition, for the purpose of recategorizing financing costs into financing activities, we also add back RMB146.2 million finance costs.

For the year ended December 31, 2020, we had net cash used in operation activities of RMB268.5 million, which was primarily attributable to loss before income tax of RMB87.7 million, adjusted to reflect an increase of RMB672.5 million in rental computer devices and RMB18.6 million in gain on fair value changes of financial liabilities at fair value through profit or loss, partially offset by non-cash items primarily comprising RMB198.1 million in depreciation of rental computer devices. In addition, for the purpose of recategorizing financing costs into financing activities, we also add back RMB95.3 million finance costs.

Net cash from/used in investing activities

For the year ended December 31, 2022, our net cash from investing activities was RMB1.5 million, consisting primarily of withdrawal of structured deposit of RMB64.9 million and withdrawal of pledged bank deposits and time deposits of RMB11.0 million, partially offset by placement of pledged bank deposits and time deposits of RMB42.4 million and purchases of structured deposit of RMB32.0 million.

For the year ended December 31, 2021, our net cash from investing activities was RMB86.3 million, consisting primarily of withdrawal of pledged bank deposits of RMB129.1 million and withdrawal of structured deposit of RMB64.5 million, partially offset by purchases of structured deposit of RMB64.0 million and placement of pledged bank deposits of RMB42.0 million.

FINANCIAL INFORMATION

For the year ended December 31, 2020, we had net cash used in investing activities of RMB29.8 million, consisting primarily of placement of pledged bank deposits of RMB140.3 million and purchases of structured deposit of RMB32.0 million, partially offset by withdrawal of pledged bank deposits of RMB137.6 million.

Net cash from/used in financing activities

For the year ended December 31, 2022, we had net cash used in financing activities of RMB636.1 million, primarily attributable to repayments of bank and other borrowings of RMB1,755.8 million, partially offset by proceeds from bank and other borrowings of RMB1,541.3 million.

For the year ended December 31, 2021, we had net cash used in financing activities of RMB47.1 million, primarily attributable to repayments of bank and other borrowings of RMB1,904.4 million, redemption of ordinary shares with preferred rights of RMB659.4 million and redemption of preferred shares of RMB1,058.1 million, partially offset by proceeds from bank and other borrowings of RMB2,268.9 million and proceeds from issue of ordinary shares with preferred rights of RMB1,060.6 million.

For the year ended December 31, 2020, we had net cash generated from financing activities of RMB753.1 million, which was primarily attributable to proceeds from bank and other borrowings of RMB1,670.8 million and proceeds from issue of convertible bonds of RMB351.5 million, partially offset by repayments of bank and other borrowings of RMB1,280.3 million and paid interest of RMB93.9 million.

INDEBTEDNESS

Our indebtedness primarily consisted of amounts due to preferred shareholders, lease liabilities, borrowings, bond payable and financial liabilities at FVTPL. Our indebtedness as of December 31, 2020, 2021, 2022, and January 31, 2023, being the latest practicable date for determining our indebtedness, was as follows:

	As of December 31,			As of
	2020	2021	2022	January 31,
	<i>RMB'000</i>			2023
				<i>(Unaudited)</i>
Current				
Amounts due to preferred shareholders	159,675	–	–	–
Amounts due to shareholders	–	1,779	1,841	1,841
Lease liabilities	47,151	167,194	185,934	179,172
Bond payable	–	14,888	11,040	11,093
Borrowings	894,785	1,221,780	1,072,717	1,080,018
Financial liabilities at FVTPL	1,857,458	–	–	–

FINANCIAL INFORMATION

	As of December 31,			As of
	2020	2021	2022	January 31, 2023
	<i>RMB'000</i>			<i>(Unaudited)</i>
Non-current				
Borrowings	346,079	383,550	320,586	368,025
Bond payable	–	11,250	–	–
Lease liabilities	47,457	124,557	103,362	116,265
Financial liabilities at FVTPL	–	2,282,188	2,984,358	2,897,385
	<u>3,352,605</u>	<u>4,207,186</u>	<u>4,679,838</u>	<u>4,653,799</u>
Total	<u>3,352,605</u>	<u>4,207,186</u>	<u>4,679,838</u>	<u>4,653,799</u>

Borrowings

Our borrowings mainly represented our borrowings from banks and non-bank financial institutions, such as finance leasing companies, trust institutions and factoring companies, in China. Our borrowings were all denominated in RMB during the Track Record Period. The interest rate of our borrowings ranged from 3.7% to 12.0% (3.7% to 9.0% from banks and 4.7% to 12.0% from other financial institutions) for the year ended December 31, 2020, from 3.7% to 12.6% (3.7% to 11.9% from banks and 4.6% to 12.6% from other financial institutions) for the year ended December 31, 2021, from 3.4% to 12.1% (3.4% to 9.0% from banks and 5.3% to 12.1% from other financial institutions) for the year ended December 31, 2022, respectively. As of December 31, 2020, 2021 and 2022, our total current borrowings and non-current borrowings amounted to RMB1,240.9 million, RMB1,605.3 million and RMB1,393.3 million respectively among which RMB1,202.3 million, RMB1,605.3 million and RMB1,393.3 million are secured by self-owned rental computer devices and the associated collection rights of future proceeds for rent computer devices. Included in the secured borrowings, RMB1,162.4 million, RMB1,408.1 million and RMB1,369.3 million were guaranteed by Dr. Ji and Mr Zhang. As of the Latest Practicable Date, we had credit lines of approximately RMB3.1 billion, willing to be provided by banks and other financial institutions, among which approximately RMB1.5 billion was unutilized and was guaranteed by our Single Largest Shareholders Group. Among the unutilized credit lines of approximately RMB1.5 billion, approximately RMB0.8 billion was unrestricted, while the remaining approximately RMB0.7 billion was restricted to be used for device procurement purpose.

Our borrowing agreements with banks contain standard terms, conditions and restrictive covenants that were customary for commercial bank loans, including restriction on financial ratios (such as asset-liability ratio, quarterly revenue, tangible net assets, and device utilization rate) and other restrictions or obligations (such as use of funds, notification and/or consent requirement under certain events). We have also obtained borrowings from other financial institutions, including factoring companies, finance leasing companies and trust institutions, which typically offer longer term, to diversify our financing resources. Compared to our

FINANCIAL INFORMATION

borrowing agreements with banks, our borrowing agreements with other financial institutions typically contain longer term and higher interest rate. As of December 31, 2020, we had borrowing balance of RMB263.6 million from factoring companies, RMB384.6 million from finance leasing companies, RMB6.5 million from trust institutions. As of December 31, 2021, we had borrowing balance of RMB276.3 million from factoring companies, RMB429.7 million from finance leasing companies, RMB226.2 million from trust institutions. As of December 31, 2022, we had borrowing balance of RMB184.0 million from factoring company, RMB437.8 million from finance leasing company, RMB186.2 million from trust institution. 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" and "Relationship with Our Single Largest Shareholders Group."

We regularly report relevant data to financial institutions that impose restrictions on key financial ratios and device utilization rates as stipulated in the borrowing agreements. We have also strictly complied with restrictions on the use of funds and acted accordingly to prohibit use of such funds for investments in fixed assets, equity, or other securities. In an event that requires notification and/or consent, we will obtain consent or waivers from financial institutions with relevant restrictions. To ensure ongoing compliance with our borrowing agreements, we have developed independently a financial system to avoid the risk of failure to send notice to or obtain consent from financial institutions in a timely manner when obliged. Our financial system can perform the following measures: (i) recording the specific contents regarding business events, legal events and financing events that require notification to or consent from the other party as stated in the external borrowing agreements we signed and relevant contact information; (ii) reminding our institutional cooperation department and legal compliance department to host weekly interdepartmental meetings to summarize events, and recording meeting minutes; (iii) automatically identifying the events that require sending notification to or obtaining consent from the specific financial institutions based on the meeting minutes and generating template documents for event notifications; and (iv) automatically sending out the event notification emails after manual confirmation for recordation and reminding the person in charge for unsent emails until emails are sent out. For matters that require consents from the other party, we manually record other party's feedback on the financial system. During the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulty in obtaining borrowings, from either banks or other financial institutions, or default in payment of borrowings. Our Directors also confirm that 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 during the Track Record Period and up to the Latest Practicable Date. Given our credit history and our current credit status, we believe that we will not encounter any major difficulties in obtaining additional borrowings in the future.

FINANCIAL INFORMATION

Lease Liabilities

Upon the application of IFRS 16, we recognized the corresponding lease liabilities for our right-of-use assets in respect of all leases unless they were qualified for low-value or short-term leases. As of December 31, 2022, we, as lessee, had outstanding current lease liabilities of RMB185.9 million and non-current lease liabilities of RMB103.4 million which are secured by rental deposits and unguaranteed.

Financial Liabilities at FVTPL

Our financial liabilities at FVTPL mainly represent ed our preferred shares, warrants and convertible bonds issued to investors through share subscription agreements. Fair values of preferred shares, warrants and convertible bonds are affected by changes in our equity value and various parameters and inputs. As of December 31, 2022, our current financial liabilities at FVTPL amounted to nil and our non-current financial liabilities at FVTPL amounted to RMB2,984.4 million.

Amounts due to Shareholders

The amounts due to shareholders are non-trade in nature, unsecured, interest-free, and repayable on demand. As of December 31, 2022, our amounts due to shareholders amounted to RMB1.8 million.

Bond Payable

We have issued bond during the Track Record Period. As of December 31, 2022, our current bond payable amounted to RMB11.0 million and our non-current bond payable amounted to nil.

Except as disclosed in “– Indebtedness,” since December 31, 2022 and up to the date of this document, there has been no material change to our indebtedness. As of January 31, 2023, being the latest practicable date for determining our indebtedness, except as disclosed in this document, we did not have any other loan issued and outstanding or any loan agreed to be issued, bank overdrafts, loans and other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

CAPITAL EXPENDITURES AND CONTRACTUAL COMMITMENTS

As of December 31, 2020, 2021 and 2022, we had no material capital commitments.

FINANCIAL INFORMATION

Capital Expenditure

For the years ended December 31, 2020, 2021, and 2022, our capital expenditure amounted to RMB763.1 million, RMB1,167.8 million and RMB566.5 million, respectively, consisted of (i) additions to rental computer devices of RMB662.7 million, RMB809.3 million and RMB335.2 million, respectively, and (ii) additions to right-of-use assets of RMB100.4 million, RMB358.5 million and RMB231.3 million, respectively. We expect that our capital expenditure for 2023 will continue to increase, and we plan to finance such expenditure through cash flow from customers’ subscription fees, bank and other borrowings and the net [REDACTED] from the [REDACTED].

Contingent Liabilities

As of the Latest Practicable Date, we did not have any material contingent liabilities, guarantees or any other litigations or claims of material importance, pending or threatened against us that are likely to have a material and adverse effect on our business, financial condition or results of operations.

Off-Balance Sheet Commitments and Arrangements

As of the Latest Practicable Date, we did not have any off-balance sheet commitments or arrangements.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into a number of transactions with related parties. For details of our related party transactions, see note 33 to the Accountants’ Report in Appendix I to this document. As of December 31, 2020, 2021, and 2022, respectively, RMB1,162.4 million, RMB1,408.1 million and RMB1,369.3 million of our secured borrowings were guaranteed by Dr. Ji and Mr. Zhang. We do not expect such guarantees to be released upon [REDACTED], as our Directors are of the view that premature discharge of the such guarantees would be impractical and unduly onerous to our Group and would not be in the best interests of our Group and our Shareholders, considering that early replacement or discharge of such secured borrowings would require renegotiation of the terms with the relevant banks, and that the renegotiation would take considerable time, which may affect our normal operation. Considering that (i) we have sufficient capital to operate our business independently and are capable of obtaining financing from Independent Third Party banks if necessary; and (ii) we have an independent financial system and make financial decisions according to our Group’s own business needs independently, the Directors are of the view that we are financially independent of our Single Largest Shareholders Group and/or their close associates. See “Relationship with Our Single Largest Shareholders Group.” Our directors are of the view that our Group is financially independent of the Single Largest Shareholders Group and/or their close associates.

FINANCIAL INFORMATION

We are of the view that our transactions with related parties during the Track Record Period were trade in nature and were conducted on an arm’s-length basis and with normal commercial terms between the relevant parties. We are also of the view that our related party transactions during the Track Record Period will not distort our historical results or make our historical results unreflective of our future performance.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the date or for the period indicated.

	For the year ended December 31,		
	2020	2021	2022
Total revenue growth ⁽¹⁾	28.6%	45.6%	15.9%
Total gross profit margin ⁽²⁾	41.4%	47.7%	45.7%
Net profit margin ⁽³⁾	(10.9%)	(29.4%)	(44.6)%
Adjusted net profit margin (non-IFRS measure) ⁽⁴⁾	(5.5%)	7.9%	9.9%

- (1) Total revenue growth equals to the current year’s revenue minus the previous year’s revenue, divided by the previous year’s revenue, and multiplied by 100%.
- (2) Gross profit margin equals gross profit divided by revenue for the year and multiplied by 100%.
- (3) Net profit margin equals (loss)/profit divided by revenue for the year and multiplied by 100%.
- (4) Adjusted net profit margin (non-IFRS measure) equals non-IFRS (loss)/profit divided by revenue for the year and multiplied by 100%.

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF FINANCIAL RISKS

We are exposed to various types of financial risks in the ordinary course of business, including foreign currency risk, credit risk, liquidity risk and interest rate risk. Our overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Our senior management is responsible for carrying out our risk management. For details, see note 30.2 of “Appendix I – Accountants’ Report” in this document.

Market Risk

Foreign exchange risk

The functional currency of both our Company and our subsidiaries is RMB. Foreign exchange risk arises when future commercial transactions or recognized financial assets and liabilities are denominated in a currency that is not RMB. In addition, we have intra-group balances with a subsidiary denominated in a foreign currency which also exposes us to foreign currency risk.

FINANCIAL INFORMATION

We operate in Mainland China, and most of our transactions are settled in RMB. We consider that any reasonable changes in foreign exchange rates of other currencies against the functional currency would not result in a significant change in our results, as the net carrying amounts of financial assets and liabilities denominated in a currency other than RMB are considered to be insignificant.

Interest rate risk

Interest rate risk is the risk probability that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating-rate instruments expose us to cash flow interest rate risk, whereas fixed-rate instruments expose us to fair value interest risk. Our cash flow interest rate risk primarily arose from cash and cash equivalents, and pledged bank deposits and time deposits. Our fair value interest risk primarily arises from lease liabilities and borrowings. We do not anticipate there being any significant impact to interest-bearing assets that could result from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

Other price risk

We are exposed to price risk in respect of structured deposits issued by a bank that are measured as financial assets at FVTPL, as well as preferred shares, warrants and convertible bonds measured as financial liabilities at FVTPL. The above financial instruments are exposed to price risk because of changes in market prices, where changes are caused by factors specific to the individual financial instruments or their issuers, or factors affecting all similar financial instruments traded in the market.

Preferred shares, warrants and convertible bonds are affected by changes in our value, the sensitivity analysis of which has been disclosed in note 30.4 of “Appendix I – Accountants’ Report” in this document. The fair value change of structured deposits issued by a bank is not considered to be significant.

We have formulated policies setting out the approval process for the structured deposits, and the responsible person/department for the enforcement of the policies. Our investment decisions are made on a case-by-case basis and after due and careful consideration of our cash flow and operational needs. Each transaction for the purchase of funds and wealth management products is initiated by our finance department, which should be reviewed by board office, compliance department and in-house legal staff, subject to the approval of our chief financial officer, Mr. Xiang Zheng. See “Directors and Senior Management” for a detailed description of Mr. Xiang’s qualifications and credentials. CFO’s authority to approve investment plans is granted and approved annually by our Board.

We generally prefer bank-issued structured deposits with a relatively low risk level assigned to them by relevant banks and as stipulated in the purchase agreements for such products. We primarily purchase structured deposits from PRC commercial banks, with a focus

FINANCIAL INFORMATION

on low risk and liquid fixed-income instruments that are quoted on the interbank market or exchanges in China, including, among others, treasury bonds, corporate bonds, medium-term notes, short-term commercial paper and interbank deposits.

Our investment policies set forth guidelines to follow in structured deposits investments, including the follows:

- The bond funds products, equity funds products and futures funds products invested in shall be issued by public funds or by private funds managers with assets under management exceeding RMB200 million.
- The total amount invested in products with a maturity period of over one year should not exceed 50% of the investable amount, and the total amount invested in products with a maturity period of 90 days or less should not be lower than 20% of the investable amount.

However, in general, the issuing bank do not guarantee the principal or the returns of any structured deposit. Those structured deposits generally do not have fixed terms and are redeemable on demand. We closely monitor latest developments in equity and credit market and interest risks, and regularly assess the relevant impacts on the performance and principal of the products we purchased. We redeem the structured deposits products when there is a need for cash from our operating activities. We purchase and redeem short-term structured deposits from time to time for liquidity management purpose. We believe that we can make better use of our cash by making appropriate investments to enhance our income without interfering with our business operation.

We have also implemented internal control measures to mitigate investment risks, including the follows:

- The documentation of the investment products is reviewed by the compliance department and in-house legal staff to ensure compliance with relevant laws and regulations.
- We evaluate the investments in medium- and high-risk products in a timely manner, and set the stop-loss order within 15% for high-risk products and 8% for medium-risk products.
- We monitor the fluctuations in the investment products' performance, and would send inquiry letters to the issuers should the fluctuations exceed our set margin.
- Our board office issues an investment analysis report at the end of each quarter, which is reviewed and approved by our CFO.

Our investment in these assets after the [REDACTED] will be subject to the compliance with Chapter 14 of the Rules.

FINANCIAL INFORMATION

Credit Risk

We are exposed to credit risk in relation to cash and cash equivalents, pledged bank deposits and time deposits, amounts due from shareholders, trade and other receivables, debt instruments at FVTOCI and structure deposits. The carrying amounts of each class of the above financial assets represent our maximum exposure to credit risk in relation to financial assets.

Our cash and cash equivalents, pledged bank deposits and time deposits are mainly deposited in state-owned or reputable financial institutions in Mainland China and reputable international financial institutions outside of Mainland China. There has been no recent history of any defaults in relation to these financial institutions. These instruments are considered to have a low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are insignificant during the Track Record Period.

To manage risk arising from trade receivables, we have credit risk grading policies in place to ensure that credit terms are made to counterparties with an appropriate credit history, and that the management performs ongoing credit evaluations of its counterparties. We use publicly available financial information and our own trading records to rate major customers and other debtors. The credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors.

For trade receivables arising from contracts with customers and lease arrangements, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances and credit-impaired assessed individually, the directors of the Company estimate the amount of lifetime ECL of trade receivables on a collective basis by using provision matrix through grouping of various debtors that have similar loss patterns, after considering ageing, internal credit ratings of trade debtors, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and forward looking information that is available without undue cost or effort.

For the years ended December 31, 2020, 2021 and 2022, our impairment losses under ECL, net of reversal amounted to RMB32.2 million, RMB30.5 million and RMB51.1 million, respectively. As of December 31, 2020, 2021 and 2022, our allowance for credit losses of trade receivables amounted to RMB81.1 million, RMB111.5 million and RMB159.6 million, respectively. Such significant increase in amounts was primarily due to the significant increase in the credit risk relating to our relevant customers, which mainly include the following situations: (i) some customer groups have been affected by industry-wide restrictive regulations (such as customers in long-term apartment rental industry or education industry) in recent years, resulting in poor operational performances, which have in turn increased their credit risks; and (ii) certain customers, or employees of the customers, committed frauds and resold our devices for cash.

FINANCIAL INFORMATION

Details of the major industry-wide regulations for long-term apartment rental industry and education industry are set forth as follows:

- For long-term apartment rental industry, according to Opinions of the Ministry of Housing and Urban-rural Development and Other Departments on Strengthening the Regulation of Asset-light Housing Rental Enterprises (《住房和城鄉建設部等部門關於加強輕資產住房租賃企業監管的意見》), jointly promulgated by six departments on April 15, 2021, the State implemented a series of measures to strengthen the regulation over housing rental companies mainly in the following aspects: (i) housing rental companies are required to register as business entities and obtain business license, (ii) housing rental companies shall deposit the rental funds into a regulated account at local commercial banks, and (iii) these companies are prohibited from conducting a range of financial activities in a covert manner, such as embedding consumer housing rental loans in leases, using tenants' credit to obtain consumer loans or inducing tenants to use the loans. In addition, the opinions implemented restrictions on the pricing level and rent payment terms for housing rental companies, which further affected the liquidity position of these companies.
- For education industry, according to Opinions on Further Easing the Burden of Excessive Homework and Off-campus Tutoring for Students Undergoing Compulsory Education (《關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》) promulgated by CPC Central Committee and General Office of the State Council of the People on July 24, 2021, the State strictly regulated off-campus tutoring programs featuring curriculum subjects. Specifically, (i) existing institutions shall be registered as non-profit institutions; (ii) school curriculum tutoring institutions are not allowed to go public for financing or seek investment from listed companies or foreign investor; and (iii) off-campus tutoring shall include no overseas education courses and shall not operate on national festivals and holidays. The regulation had in effect banned for-profit tutoring for school curriculum education and strictly restricted the expansion of existing institutions.

We have discontinued the cooperation with all of these customers after recognizing significant increase in their credit risks and making full provision for impairment on their trade receivables.

For customers who are impacted by industry-wide restrictive regulations, we closely follow the recent development of regulations and policies and perform customer screening in a timely manner. We issue different levels of early warning for different customers based on their business size, the degree of impact on their business and their business adjustment, as well as take control measures such as monthly on-site inventory inspection or early subscription termination.

For fraudulent customers, we have implemented know-your-customer procedures including on-site visits and verification of customers' information before signing the contracts. However, it is still difficult for us to identify fraud among customers under normal and legal operations. In this regard, we have strengthened our risk control measures by establishing a new risk control model in 2022. Our new risk control model can establish a business operation

FINANCIAL INFORMATION

forecast model and a payment collection model based on our past experience and customer cases, conducting real-time monitoring and risk rating based on customers' business stability, business change, working capital sufficiency and willingness to repay. We adopt different control measures in accordance to customers' risk ratings.

Specifically, when customer first places orders, we identify illegal activities by checking if the number of devices ordered match the number of employees, if the device configuration is appropriate for employees' position, and if multiple companies are using the same IP address for logging in. We look for trends or patterns of fraudulent practices, such as payments through personal bank accounts, no invoice request, and unusual device configurations for subsequent orders. For these customers, we review their profile, timely identify relevant risks, and take control measures such as inventory inspection, payment collection and early termination of cooperation as appropriate. In addition, our credit management team is responsible for reviewing and assessing the collectability of customers with high risk on a case-by-case basis. During the Track Record Period, we discontinued to grant credits to certain fraudulent customers taking into account various criteria, such as their repayment history as well as their ability and intention to pay.

Liquidity Risk

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows. See note 30.2(c) to the Accountants' Report included in Appendix I to this document.

DIVIDENDS

No dividends have been paid or declared by our Company during the Track Record Period. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment, as well as the amount of dividends, will be subject to our constitutional documents and the Cayman Companies Act. Under the Cayman Islands law, our Company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. As advised by our Cayman Islands counsel, subject to the above, there is no restriction under the Cayman Islands law for our Company to declare and pay a dividend, despite our net liabilities position. In addition, our Directors may from time to time pay such interim dividends on shares outstanding of our Company and authorize payment of the same out of the funds of our Company that are lawfully available. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the discretion of our Board.

FINANCIAL INFORMATION

DISTRIBUTABLE RESERVES

As of December 31, 2022, our Company had no reserves available for distribution to our Shareholders.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

For details of our unaudited [REDACTED] adjusted consolidated net tangible assets, see Appendix II to this document.

[REDACTED] EXPENSES AND [REDACTED] COSTS

[REDACTED] expenses represent professional fees, [REDACTED], and other fees incurred in connection with the [REDACTED]. Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range stated in this document), [REDACTED] expenses and [REDACTED] costs to be borne by us are estimated to be approximately HK\$[REDACTED] (including (i) [REDACTED] of approximately HK\$[REDACTED], and (ii) non-[REDACTED] related expenses of approximately HK\$[REDACTED], which consist of fees and expenses of legal advisors and Reporting Accountants of approximately HK\$[REDACTED] and other fees and expenses of approximately HK\$[REDACTED]), assuming the [REDACTED] is not exercised and no shares are issued pursuant to the Pre-[REDACTED] Option Plan. For the years ended December 31, 2021 and December 31, 2022, approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]) and RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]) was charged as [REDACTED] expenses, respectively and approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]) was charged as [REDACTED] costs to our audited consolidated financial statements. After December 31, 2022, approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]) is expected to be charged to our consolidated financial statements of profit or loss, approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]) is expected to be accounted for as a deduction from equity upon [REDACTED]. The [REDACTED] expenses are expected to account for [REDACTED]% of gross [REDACTED] generated from the [REDACTED]. The [REDACTED] expenses and [REDACTED] costs above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial and trading position or prospects since December 31, 2022, and there has been no event since December 31, 2022 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

See "Business – Our Strategies" for a detailed discussion of our future plans.

USE OF [REDACTED]

The table below sets forth the estimated net [REDACTED] of the [REDACTED] which we will receive after deduction of [REDACTED] and estimated expenses payable by us in connection with the [REDACTED] (assuming that the [REDACTED] is not exercised and no Shares are issued pursuant to the Pre-[REDACTED] Option Plan):

Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range stated in this document)	HK\$[REDACTED]
Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the high end of the [REDACTED] range stated in this document)	HK\$[REDACTED]
Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the low end of the [REDACTED] range stated in this document)	HK\$[REDACTED]

We intend to use the net [REDACTED] we will receive from this [REDACTED] for the following purposes, assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range stated in this document):

Investment in Market Promotion and Sales and Service Networks Improvement

- Approximately [REDACTED]%, or HK\$[REDACTED], will be allocated over the next three years to enhance our sales and marketing capabilities and expand our service network, which will further enlarge our customer base and strengthen our brand reputation, with detailed breakdown of the use of [REDACTED] to be allocated as below:
 - (i) approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to expand and retain our sales team to continuously expand our customer base and maintain our market position in strategically important cities in China, such as Beijing, Shanghai, Guangzhou, Shenzhen, Wuhan, Chengdu, Hangzhou, Hefei, Suzhou and capital cities of the other provinces. We expect to expand our sales team significantly by the end of 2025, including front-tier sales professionals and back-office sales management professionals with SME sales experience to further expand the gridding operation of our sales network. We will also purchase additional devices, software and tools for our sales team, so that we can improve our search for potential customers, whilst also enhancing our service quality. Specifically,

FUTURE PLANS AND USE OF [REDACTED]

- approximately [REDACTED]%, or HK\$[REDACTED], will be used on paying the salaries of our sales team, including:
 - o approximately [REDACTED]%, or HK\$[REDACTED], to enlarge our frontline sales force by recruiting approximately 23 sales personnel by the end of 2025 with undergraduate degree and industry-specific or local expertise for continuous business development and customer base expansion; and
 - o approximately [REDACTED]%, or HK\$[REDACTED], on recruitment of approximately 14 sales personnel in back office by the end of 2025 with a qualification of undergraduate degree and on salaries of our sales team in the back office; and
 - approximately [REDACTED]%, or HK\$[REDACTED], will be used on investments in building relevant workspace for the sales team, including renting office spaces, purchasing devices, software and tools for our sales team to better acquire potential customers and enhance customer service quality.
- (ii) approximately [REDACTED]% or approximately HK\$[REDACTED], will be used to expand our customer success team to continuously increase our customers' stickiness and improve our market presence among key enterprise customers. Currently, we have members of our customer success team in a number of major cities, including Beijing and Shanghai. We plan to further strengthen our customer success team to precisely serve our customers and penetrate into more regions where we see potential market opportunities for our office IT integrated solutions. Specifically,
- approximately [REDACTED]%, or HK\$[REDACTED], will be used to enlarge our customer success team so that, for customer retention, we can facilitate the daily support and communications with our key customers. We plan to recruit approximately 25 customer success personnel by the end of 2025 with undergraduate degree and experience in personal selling or business-to-business sales;
 - approximately [REDACTED]%, or HK\$[REDACTED], will be used on rent for office spaces for the enlarged customer success team; and
 - approximately [REDACTED]%, or HK\$[REDACTED], will be used on the purchase of devices for the enlarged customer success team;

FUTURE PLANS AND USE OF [REDACTED]

- (iii) approximately [REDACTED]%, or HK\$[REDACTED], will be used to expand and provide professional trainings for our service team to improve their capabilities in providing high-quality customer service, which further enables us to enhance customer loyalty and stickiness. Specifically,
- approximately [REDACTED]%, or HK\$[REDACTED], will be used to employ engineers so that we can extend our service network and on-site technical support to more cities across the country, especially in the geographical areas where we currently have less presence. We plan to recruit approximately 10 engineers by the end of 2025, preferably with a degree in computer science or electronic information and experience in IT hardware and software troubleshooting and maintenance;
 - approximately [REDACTED]%, or HK\$[REDACTED], will be used to employ professionals so that we can systematically design and enrich our internal trainings and know-hows as well as engagement of third-party training experts to provide lectures and trainings to continuously improve the professional competency of our service team; and
- (iv) approximately [REDACTED]%, or HK\$[REDACTED], will be used on our branding and marketing activities, such as placing advertisements and participating in trade shows, so as to enhance our brand awareness and reputation among enterprise customers and the enterprise office IT service industry, and further expand our market penetration.

By implementing such plans, we expect to incur additional expenses related to employees' salary and compensation as well as other administrative expenses. We plan to increase our headcount for sales-related staff during the next three years to continuously expand our sales capacity. We believe such investment is indispensable to the rapid expansion of our customer base. Moreover, as our sales team grows, we may incur additional office rental, equipment procurement and utility expenses accordingly. However, such impact will be gradually mitigated through increased sales efficiency, which brings enlarged customer base through improved customer experience, and ultimately drives our revenue and profit margin in the long run.

Research and Development Investment and Diversification of Our Service Offerings

- Approximately [REDACTED]%, or HK\$[REDACTED], will be used over the next three years to optimize and expand service offerings to satisfy customers' evolving needs, as well as upgrade our technology infrastructure to improve service quality, with detailed breakdown of the use of [REDACTED] to be allocated as below:
 - (i) approximately [REDACTED]%, or HK\$[REDACTED], will be used over the next three years to expand our engineer and technical expert team to deploy new services and functions to our existing service matrix and capacities and upgrade the scalability and adaptability of our business and IT infrastructure that support our office IT integrated solutions. Specifically,

FUTURE PLANS AND USE OF [REDACTED]

- approximately [REDACTED]%, or HK\$[REDACTED], will be used for recruiting approximately 3 top engineers and technical experts, such as IT specialists, software and hardware development engineers and product managers, with computer science background and at least five years' experience, by the end of 2025. The expansion of such team is expected to help us maintain and enhance competitiveness in research and development; and will be used on rent for office space for the enlarged team of IT specialists, technology architects, software and hardware development engineers, and product managers;
- (ii) approximately [REDACTED]%, or HK\$[REDACTED], will be used over the next three years to enhance our research and development capabilities to expand our software service offerings, such as data migration and office IT management tools, including automated network diagnostic software, printer auto-configuration program and smart technical support tools, to serve the whole life cycle of our enterprise customers, allowing us to quickly respond to customer needs and expand our product coverage. Specifically,
- approximately [REDACTED]%, or HK\$[REDACTED], will be used to enlarge our research and development team via both young talent recruitment from academic institution and experienced hire to acquire top-notch personnel with suitable knowledge, skills, and expertise. We plan to recruit approximately 4 research and development personnel by the end of 2025 with computer science background and one to three years' experience;
 - approximately [REDACTED]%, or HK\$[REDACTED], will be used on purchase of hardware equipment for the enlarged research and development team under software service offerings; and
 - approximately [REDACTED]%, or HK\$[REDACTED], will be used to acquire third-party software licenses for the use by our research and development team;
- (iii) approximately [REDACTED]%, or HK\$[REDACTED], will be used over the next three years to enhance our research and development capabilities in expanding our hardware service offerings, such as local hardware virtualization, which enables one device to be virtualized locally into several virtual devices for multiple users and thus further increase our efficiency in device allocation. With the continuous expansion of our hardware service offering, our operational efficiency and user experience will be further improved. Specifically,
- approximately [REDACTED]%, or HK\$[REDACTED], will be used to enlarge our research and development team via both young talent recruitment from academic institution and experienced hire to acquire top-notch personnel with suitable knowledge, skills, and expertise. We

FUTURE PLANS AND USE OF [REDACTED]

plan to recruit approximately 5 research and development personnel by the end of 2025 with a minimal qualification of undergraduate degree and research and development experience and expertise in computer hardware;

- approximately [REDACTED]%, or HK\$[REDACTED], will be used on purchase of hardware equipment for the enlarged research and development team under hardware service offerings; and
 - approximately [REDACTED]%, or HK\$[REDACTED], will be used to acquire third-party software licenses for the use by our research and development team; and
- (iv) approximately [REDACTED]%, or HK\$[REDACTED], will be used over the next three years to enhance the functionalities and features of our SaaS products, expand our SaaS product offerings, as well as develop SaaS online platforms, with a goal to enrich the scenario-based customer experience and expand our market share. Moreover, we intend to continuously upgrade and develop our SaaS products, Ebandian, by strengthening its functions on statistical management, resource allocation, device maintenance, file management and usage analysis as well as other related functions. We also plan to cross-sell our current or future SaaS products to existing customers to increase our SaaS products' penetration rate. Specifically,
- approximately [REDACTED]%, or HK\$[REDACTED], will be used to enlarge research and development team via both young talent recruitment from academic institution and experienced hire to acquire top-notch personnel with suitable knowledge, skills, and expertise. We plan to recruit approximately 8 research and development personnel by the end of 2025, with a minimal qualification of undergraduate degree and experience in SaaS products; and will be used on rent for office space for the enlarged research and development team under SaaS product offerings; and
 - approximately [REDACTED]%, or HK\$[REDACTED], will be used on the purchase of hardware equipment and software licenses for the use by our research and development team.

We plan to increase our headcount for our research and development staff in the next three years so as to support our fast-growing office IT integrated solution business. As a major provider of office IT integrated solution, we endeavor to continue to enrich our products and services so as to meet the evolving office IT needs of our customers. We believe the aforementioned investments are necessary to the continuous enhancement of our market presence.

FUTURE PLANS AND USE OF [REDACTED]

Enhancement of Remanufacturing Capabilities and Operational Efficiency

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to enhance our remanufacturing capability to improve operational efficiency and save labor costs over the next three years, with detailed breakdown of the use of [REDACTED] to be allocated as below:
 - (i) approximately [REDACTED]%, or HK\$[REDACTED], will be used to employ engineers and purchase advanced devices and infrastructure to continuously strengthen our market position with regard to our remanufacturing technology and techniques, including:
 - approximately [REDACTED]%, or HK\$[REDACTED], on recruiting and retaining top engineers and technical experts to advance and upgrade our automatic testing technology and remanufacturing techniques. We plan to recruit approximately 7 engineers and technical experts by the end of 2025 with a background in automation, communication science, computer science or electrical automaton; and
 - approximately [REDACTED]%, or HK\$[REDACTED], on procurement of more advanced and customized equipment and infrastructure from qualified suppliers to further strengthen the infrastructure basis for the improvement of our remanufacturing process;
 - (ii) approximately [REDACTED]%, or HK\$[REDACTED], will be used to enhance our hardware research and development business unit and pay for the salaries of the relevant employees. We plan to recruit approximately 6 research and development personnel by the end of 2025 with a background of automation, communication science, computer science or electrical automaton. The hardware research and development business unit will be responsible for developing fundamental know-hows on various hardware technology with respect to, among others, chips, heat dissipation, design of molds and design of electric circuit, which will further enhance our research and development capabilities in remanufacturing-related hardware technology.
 - (iii) approximately [REDACTED]%, or HK\$[REDACTED], will be used to upgrade and expand our remanufacturing capacity. Currently, we have five remanufacturing plants, located in Wuhan, Beijing, Shanghai, Shenzhen, and Chengdu. We expect to invest in new remanufacturing factories in other core regions in China so that we can further expand our remanufacturing regional network to cover more enterprise customers and tap into new regional markets. With the expanded remanufacturing geographical footprints, our remanufacturing capacities will be further increased with higher production capacity. Specifically,

FUTURE PLANS AND USE OF [REDACTED]

- approximately [REDACTED]%, or HK\$[REDACTED], will be used on purchase of equipment to be used in our existing remanufacturing factories or new remanufacturing factories in the future to support the expansion of our remanufacturing capacity; and
- approximately [REDACTED]%, or HK\$[REDACTED], will be used on employment of personnel and for the rent of office space, in line with our expanded remanufacturing geographical coverage.

Remanufacturing is one of our core competitive strengths. Historically, the number of our remanufactured devices was 462,491, 608,461 and 739,743 in 2020, 2021 and 2022, respectively. We expect to expand our remanufacturing capacity to over 2.0 million devices per year to further meet our fast expansion and rising customer needs through the aforementioned investments to increase our remanufacturing capabilities via increment in infrastructure and research and development.

Working Capital and General Corporate Purposes

- The remaining approximately [REDACTED]%, or HK\$[REDACTED], will be used for working capital and general corporate purposes.

The above allocation of the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the estimated [REDACTED] range.

To the extent that our net [REDACTED] from the [REDACTED] are either more or less than expected, we will increase or decrease the intended use of our net [REDACTED] for the above purposes on a pro rata basis.

We estimate the net [REDACTED] to the [REDACTED] from the sale of [REDACTED] pursuant to the [REDACTED] to be approximately HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range), after deducting the [REDACTED] and estimated related expenses payable by the [REDACTED]. We will not receive net [REDACTED] from the sale of [REDACTED] pursuant to the [REDACTED].

To the extent that the net [REDACTED] are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, we will only deposit the net [REDACTED] into short-term demand deposits with licensed banks or authorized financial institutions as defined under the Securities and Futures Ordinance or the applicable laws in the relevant jurisdiction for non-Hong Kong based deposits in Hong Kong or the PRC. We will make an appropriate announcement if there is any change to the above proposed use of [REDACTED] or if any amount of the [REDACTED] will be used for general corporate purpose.

FUTURE PLANS AND USE OF [REDACTED]

If the [REDACTED] is fully exercised, our Company will receive additional net [REDACTED] of approximately HK\$[REDACTED] for [REDACTED] Shares to be allotted and issued upon the full exercise of the [REDACTED] based on the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the [REDACTED] range, and after deducting the [REDACTED] payable by our Company. The additional amount raised will be applied to the above areas of use of [REDACTED] on pro-rata basis.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE AND CONDITION OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITION OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITION OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITION OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITION OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITION OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITION OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITION OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITION OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITION OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITION OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITION OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITION OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-1 to I-[81] received from the Company’s reporting accountants, [Deloitte Touche Tohmatsu], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

Deloitte.

德勤

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF EDIANYUN LIMITED (FORMERLY KNOWN AS EDIANZU LIMITED) AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Edianyun Limited (formerly known as Edianzu Limited) (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages I-[3] to I-[81], which comprises the consolidated statements of financial position of the Group as at December 31, 2020, 2021 and 2022, the statements of financial position of the Company as at December 31, 2020, 2021 and 2022, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended December 31, 2022 (the “Track Record Period”) and a summary of significant accounting policies and other explanatory information (collectively referred to as the “Historical Financial Information”). The Historical Financial Information set out on pages I-[3] to I-[81] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the “Document”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

APPENDIX I

ACCOUNTANTS' REPORT

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at December 31, 2020, 2021 and 2022, of the Company's financial position as at December 31, 2020, 2021 and 2022 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[3] have been made.

Dividends

We refer to Note [14] to the Historical Financial Information which states that no dividend was declared or paid by the Company and its subsidiaries in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]

Certified Public Accountants

Hong Kong

[Date]

APPENDIX I

ACCOUNTANTS’ REPORT

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards (“IFRSs”) issued by International Accounting Standards Board (the “IASB”) and were audited by us in accordance with International Standards on Auditing issued by International Auditing and Assurance Standards Board (the “Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended December 31,		
		2020	2021	2022
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	6	813,148	1,183,749	1,371,889
Cost of sales		<u>(476,103)</u>	<u>(618,527)</u>	<u>(745,346)</u>
Gross profit		337,045	565,222	626,543
Selling and marketing expenses		(119,035)	(181,038)	(164,711)
Research and development expenses		(57,942)	(62,067)	(84,026)
General and administrative expenses		(110,329)	(78,196)	(106,093)
Other income	7A	20,696	9,630	48,903
Other gains and losses, net	7B	(49,263)	6,181	(15,886)
Gain/(loss) on changes in fair value of financial liabilities at fair value through profit or loss (“FVTPL”)	31.4	18,609	(416,358)	(702,170)
Impairment losses under expected credit loss (“ECL”) model, net of reversal	8	(32,155)	(30,531)	(51,113)
[REDACTED] expenses		[REDACTED]	[REDACTED]	[REDACTED]
Finance costs	9	<u>(95,342)</u>	<u>(146,237)</u>	<u>(169,595)</u>
Loss before tax		(87,716)	(351,023)	(646,265)
Income tax (expense)/credit	10A	<u>(728)</u>	<u>2,778</u>	<u>34,658</u>
Loss and total comprehensive expense for the year	11	<u><u>(88,444)</u></u>	<u><u>(348,245)</u></u>	<u><u>(611,607)</u></u>
Loss per share				
– Basic (RMB Yuan)	13	<u>(0.79)</u>	<u>(2.95)</u>	<u>(5.19)</u>
– Diluted (RMB Yuan)		<u><u>(0.79)</u></u>	<u><u>(2.95)</u></u>	<u><u>(5.19)</u></u>

APPENDIX I

ACCOUNTANTS' REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31,		
		2020 RMB'000	2021 RMB'000	2022 RMB'000
Assets				
Non-current assets				
Rental computer devices	15	1,236,476	1,616,011	1,456,992
Right-of-use assets	16	113,587	410,045	495,220
Intangible assets		63	1,059	649
Trade and other receivables and prepayments	18A	130,870	237,277	220,442
Pledged bank deposits and time deposits	22	81,681	33,000	45,504
Deferred tax assets	10B	–	4,450	39,182
Other non-current assets		7	–	–
Total non-current assets		<u>1,562,684</u>	<u>2,301,842</u>	<u>2,257,989</u>
Current assets				
Inventories	17	4,466	3,888	3,929
Contract costs		–	–	1,337
Trade and other receivables and prepayments	18A	111,575	159,623	214,118
Debt instruments at fair value through other comprehensive income	18B	–	34,850	–
Amounts due from shareholders	19A	5	41	41
Structured deposits	20	32,015	32,009	–
Cash and cash equivalents	21	725,366	542,568	505,803
Pledged bank deposits and time deposits	22	73,808	35,439	54,376
Total current assets		<u>947,235</u>	<u>808,418</u>	<u>779,604</u>
Total assets		<u><u>2,509,919</u></u>	<u><u>3,110,260</u></u>	<u><u>3,037,593</u></u>
Equity				
Paid-in capital/share capital	27	667	43	43
Reserves		70,484	80,397	97,496
Accumulated losses		(1,047,079)	(1,395,690)	(2,007,887)
Total deficits		<u>(975,928)</u>	<u>(1,315,250)</u>	<u>(1,910,348)</u>
Liabilities				
Non-current liabilities				
Borrowings	25	346,079	383,550	320,586
Deferred tax liabilities	10B	–	827	–
Lease liabilities	16	47,457	124,557	103,362
Bond payable	26	–	11,250	–
Financial liabilities at FVTPL	24	–	2,282,188	2,984,358
Total non-current liabilities		<u>393,536</u>	<u>2,802,372</u>	<u>3,408,306</u>
Current liabilities				
Trade and other payables	23	94,581	163,682	188,563
Amounts due to preferred shareholders	19D	159,675	–	–
Amounts due to shareholders	19F	–	1,779	1,841
Deposits received for rental computer devices		16,148	12,755	12,032
Advance lease payments		16,152	30,330	51,285
Contract liabilities		4,073	7,715	12,385
Income tax payable		2,288	3,015	3,838
Borrowings	25	894,785	1,221,780	1,072,717
Lease liabilities	16	47,151	167,194	185,934
Bond payable	26	–	14,888	11,040
Financial liabilities at FVTPL	24	1,857,458	–	–
Total current liabilities		<u>3,092,311</u>	<u>1,623,138</u>	<u>1,539,635</u>
Total liabilities		<u><u>3,485,847</u></u>	<u><u>4,425,510</u></u>	<u><u>4,947,941</u></u>
Total deficits and liabilities		<u><u>2,509,919</u></u>	<u><u>3,110,260</u></u>	<u><u>3,037,593</u></u>

APPENDIX I

ACCOUNTANTS' REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at December 31,		
		2020 RMB'000	2021 RMB'000	2022 RMB'000
Assets				
Non-current asset				
Investments in subsidiaries	35	825,388	1,248,474	1,844,750
Total non-current asset		825,388	1,248,474	1,844,750
Current assets				
Prepayments and deferred issue costs	18A	–	4,307	3,707
Amounts due from subsidiaries	19C	91,711	–	–
Amounts due from shareholders	19A	5	2,968	41
Amounts due from preferred shareholders	19B	–	549,734	–
Cash and cash equivalents	21	368,005	87,417	43,791
Pledged bank deposits	22	47,632	–	–
Total current assets		507,353	644,426	47,539
Total assets		1,332,741	1,892,900	1,892,289
Equity				
Share capital	27	–	43	43
Reserves	28	70,484	81,143	97,652
Accumulated losses		(653,105)	(1,083,605)	(1,865,931)
Total deficits		(582,621)	(1,002,419)	(1,768,236)
Liabilities				
Non-current liability				
Financial liabilities at FVTPL	24	–	2,282,188	2,984,358
Total non-current liability		–	2,282,188	2,984,358
Current liabilities				
Accrued [REDACTED] expenses and [REDACTED] costs	23	[REDACTED]	[REDACTED]	[REDACTED]
Amounts due to subsidiaries	19E	–	603,858	669,645
Amounts due to preferred shareholders	19D	134,003	–	–
Financial liabilities at FVTPL	24	1,781,359	–	–
Total current liabilities		1,915,362	613,131	676,167
Total liabilities		1,915,362	2,895,319	3,660,525
Total deficits and liabilities		1,332,741	1,892,900	1,892,289

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital/ share capital	Share premium	Share-based payments reserve	Statutory reserve	Capital reserve	Other reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB'000	RMB'000
As at January 1, 2020	667	-	7,950	-	-	-	(958,635)	(950,018)
Loss and total comprehensive expense for the year	-	-	-	-	-	-	(88,444)	(88,444)
Recognition of equity-settled share-based payments (Note 29)	-	-	62,529	-	-	-	-	62,529
Others	-	-	-	-	-	5	-	5
As at December 31, 2020	<u>667</u>	<u>-</u>	<u>70,479</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>(1,047,079)</u>	<u>(975,928)</u>
Loss and total comprehensive expense for the year	-	-	-	-	-	-	(348,245)	(348,245)
Recognition of equity-settled share-based payments (Note 29)	-	-	7,739	-	-	-	-	7,739
Transfer to statutory reserve	-	-	-	366	-	-	(366)	-
Exercise of share options	548	11,385	(1,484)	-	-	-	-	10,449
Effect from the Reorganisation (as defined in Note 2)	(667)	-	-	-	(1,112)	-	-	(1,779)
Issuance of ordinary shares of the Company pursuant to the Reorganisation	43	3,530	(605)	-	-	(5)	-	2,963
Repurchase of ordinary shares of Beijing Ediantao (as defined in Note 1)	(548)	(11,385)	1,484	-	-	-	-	(10,449)
As at December 31, 2021	<u>43</u>	<u>3,530</u>	<u>77,613</u>	<u>366</u>	<u>(1,112)</u>	<u>-</u>	<u>(1,395,690)</u>	<u>(1,315,250)</u>
Loss and total comprehensive expense for the year	-	-	-	-	-	-	(611,607)	(611,607)
Recognition of equity-settled share-based payments (Note 29)	-	-	16,509	-	-	-	-	16,509
Transfer to statutory reserve	-	-	-	590	-	-	(590)	-
As at December 31, 2022	<u>43</u>	<u>3,530</u>	<u>94,122</u>	<u>956</u>	<u>(1,112)</u>	<u>-</u>	<u>(2,007,887)</u>	<u>(1,910,348)</u>

Notes:

- In accordance with the articles of association of the subsidiaries established in the People’s Republic of China (the “PRC”) and relevant PRC laws and regulations, these subsidiaries are required to transfer at least 10% of their profit after tax, which is determined in accordance with the Accounting Standards for Business Enterprises and Financial Regulations applicable in the PRC to a statutory reserve until the balance of such fund has reached 50% of the registered capital of the respective subsidiaries. Statutory reserve can only be used to offset accumulated losses or to increase capital of the relevant subsidiaries.
- Capital reserve comprises the difference between the then paid in capital of Beijing Ediantao after repurchase of ordinary shares and the consideration paid by Edianzu HK (as defined in Note 1) to Ji Peng Cheng and Zhang Bin, co-founders and the executive directors of the Company as set out in Note 2 resulting from the Reorganisation.

APPENDIX I

ACCOUNTANTS' REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating activities			
Loss before tax	(87,716)	(351,023)	(646,265)
Adjustments for:			
Depreciation of rental computer devices	198,124	251,729	308,620
Depreciation of right-of-use assets	22,851	50,059	87,669
Amortisation of intangible assets	95	234	410
Amortisation of other non-current assets	9	7	–
Impairment loss under ECL model, net of reversal	32,155	30,531	51,113
Interest income from trade receivables under installment sales	(6,583)	(7,060)	(5,096)
Exchange loss/(gain)	2,882	15,868	(2,262)
Finance costs	95,342	146,237	169,595
Loss/(gain) on changes in fair value of financial assets at FVTPL	3,178	(457)	(911)
(Gain)/loss on changes in fair value of financial liabilities at FVTPL	(18,609)	416,358	702,170
Share-based payment expense	62,529	7,739	16,509
(Gain)/loss on termination of lease contract	(157)	1,814	–
Operating cash flows before movements in working capital	<u>304,100</u>	<u>562,036</u>	<u>681,552</u>
Decrease/(increase) in inventories	2,665	578	(41)
Increase in contract costs	–	–	(1,337)
(Increase)/decrease in trade and other receivables and prepayments	(78,343)	(12,144)	99,988
(Increase)/decrease in debt instruments at fair value through other comprehensive income	–	(34,850)	34,850
Increase in rental computer devices	(672,516)	(774,269)	(164,930)
Increase/(decrease) in trade and other payables	167,452	37,251	(79,357)
Increase/(decrease) in deposits received for rental computer devices	1,690	(3,393)	(723)
Increase in contract liabilities	1,255	3,642	4,670
Increase in advance lease payments	5,215	14,178	20,955
Cash (used in)/generated from operations	(268,482)	(206,971)	595,627
Income taxes paid	(27)	(118)	(78)
Net cash (used in)/from operating activities	<u>(268,509)</u>	<u>(207,089)</u>	<u>595,549</u>

APPENDIX I

ACCOUNTANTS' REPORT

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investing activities			
Purchases of intangible assets and other non-current assets	–	(1,230)	–
Decrease in amounts due from shareholders	8,089	–	–
Purchases of financial assets at FVTPL	(10,058)	–	–
Purchases of structured deposits	(32,000)	(64,000)	(32,000)
Withdrawal of structured deposits	–	64,463	64,920
Proceeds from disposal of financial assets at FVTPL	6,865	–	–
Placement of pledged bank deposits and time deposits	(140,274)	(42,001)	(42,441)
Withdrawal of pledged bank deposits and time deposits	137,587	129,051	11,000
Net cash (used in)/from investing activities	(29,791)	86,283	1,479
Financing activities			
Proceeds from bank and other borrowings	1,670,845	2,268,911	1,541,315
Repayments of bank and other borrowings	(1,280,340)	(1,904,445)	(1,755,771)
Proceeds from issue of bond	–	29,751	–
Repayment of bond payable	–	(3,750)	(15,000)
Proceeds from exercise of warrants	–	29,000	–
Proceeds from issue of convertible bonds	351,513	–	–
Redemption of preferred shares	(640)	(1,058,119)	–
Proceeds from issue of ordinary shares with preferred rights	–	1,060,589	–
Redemption of ordinary shares with preferred rights	–	(659,416)	(549,734)
Proceeds from issue of preferred shares	–	636,318	549,734
Exercise of share options	–	10,449	–
Repurchase of ordinary shares of Beijing Ediantao	–	–	(7,522)
Advances from preferred shareholders	166,932	–	–
Repayments to preferred shareholders	–	(160,628)	–
Repayments to shareholders	–	–	(1,779)
Advances from shareholders	–	–	1,841
Repayments of leases liabilities	(61,319)	(147,150)	(231,875)
Interest paid	(93,855)	(146,100)	(167,264)
Payment of [REDACTED] costs	[REDACTED]	[REDACTED]	[REDACTED]
Net cash from/(used in) financing activities	753,136	(47,077)	(636,055)
Net increase/(decrease) in cash and cash equivalents	454,836	(167,883)	(39,027)
Cash and cash equivalents at beginning of year	280,669	725,366	542,568
Effect of foreign exchange rate changes	(10,139)	(14,915)	2,262
Cash and cash equivalents at end of year	725,366	542,568	505,803

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on November 18, 2015. The address of the Company’s registered office is Suite#4-210, Governors Square, 23 Lime Tree Bay Avenue, PO Box 32311, Grand Cayman KY1-1209, Cayman Islands. The principal place of business of the Company is Yidiansyun Building, No. 41, Xixiaokou Road, Haidian District, Beijing, the PRC.

The Company is an investment holding company and the Group is principally engaged in providing office Internet Technology (“IT”) integrated solution to small- and medium-sized enterprises in the PRC.

Prior to the incorporation of the Company, the Group commenced operations of providing office IT integrated solution through Beijing Ediantao Internet Technology Co., Ltd. (北京易點淘網絡技術有限公司) (“Beijing Ediantao”) in the PRC. On November 18, 2015, the Company was incorporated in the Cayman Islands with an authorised share capital of US dollar (“USD”) 50,000, divided into 100,000,000 ordinary shares with a par value of USD0.0005 each.

On December 1, 2015, Edianzu Hong Kong Limited (“Edianzu HK”) was established by the Company, as a wholly-owned subsidiary of the Company located in Hong Kong.

On February 2, 2016, Beijing Huaqing Edian Technology Co., Ltd. (北京華清易點科技有限公司) (“Huaqing Edian”) was established by Edianzu HK, as a wholly foreign-owned enterprise of the Company located in the PRC.

Contractual Arrangements

The Group conducts a substantial portion of the business through Beijing Ediantao and its subsidiaries (together the “Consolidated Affiliated Entities”) in the PRC. On March 8, 2016, the wholly-owned subsidiary of the Company, Huaqing Edian has entered into the contractual arrangements (the “Contractual Arrangements”) with the Consolidated Affiliated Entities and their respective equity holders, which enable Huaqing Edian and the Company to:

- expose, or has rights, to variable returns from its involvement with the Consolidated Affiliated Entities and has ability to affect those returns through its power over the Consolidated Affiliated Entities;
- exercise equity holders’ controlling voting rights of the Consolidated Affiliated Entities;
- receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the business support, technical and consulting services provided by Huaqing Edian;
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Consolidated Affiliated Entities from the respective equity holders at a consideration of RMB100 or a minimum purchase price permitted under the PRC laws. Huaqing Edian may exercise such options at any time until it has acquired all equity interests and/or all assets of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Huaqing Edian; and
- obtain a pledge over the entire equity interest of Beijing Ediantao from their equity holders as collateral security for all of Beijing Ediantao’s payments due to Huaqing Edian and to secure performance of Beijing Ediantao’s obligations under the Contractual Arrangements.

The Group does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Group has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries for accounting purpose. The Company has consolidated the assets, liabilities, revenue, income and expenses of the Consolidated Affiliated Entities started from March 8, 2016.

APPENDIX I

ACCOUNTANTS’ REPORT

From 2015 to 2021, the Company has completed several rounds of investments from third-party investors, for which the Company issued Series A-Angel preferred shares, Series A-1 preferred shares, Series A-2 preferred shares, Series A-3 preferred shares, Series B preferred shares, Series C preferred shares, Series D preferred shares and Series E preferred shares to the relevant investors (the “Pre-[REDACTED] Investors”).

In January 2021, the Group has terminated the Contractual Arrangements. As advised by the Company’s legal advisor, the termination of the Contractual Arrangements was binding among the parties thereto and the Contractual Arrangements has been effectively unwind as at such date.

The Historical Financial Information is presented in the currency of RMB, which is also the functional currency of the Company and its subsidiaries.

No audited statutory financial statements have been prepared for the Company as it was incorporated in a jurisdiction where there is no statutory audit requirements.

2. REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRSs issued by the IASB and conventions applicable for group reorganisation.

In preparation for initial [REDACTED] of shares of the Company on the Stock Exchange, the entities comprising the Group underwent a group reorganisation (the “Reorganisation”) as described below, pursuant to which the Company became the holding company and [REDACTED] vehicle of the Group.

The Reorganisation comprised the following steps:

1. Acquisition of Huaqing Edian by Edianzu HK

On August 9, 2021, a third party investor, Able Cloud Hong Kong Limited (“Able Cloud”), Beijing Ediantao and Huaqing Edian entered into a capital injection agreement, pursuant to which Able Cloud agreed to subscribe for 0.15% of the equity interest of Huaqing Edian at a consideration of RMB1,000,000. Upon completion of the above transaction, Huaqing Edian was converted into a sino-foreign equity joint venture and was held as to 99.85% and 0.15% by Beijing Ediantao and Able Cloud, respectively.

On August 20, 2021, Edianzu HK and Beijing Ediantao entered into a share transfer agreement, pursuant to which Beijing Ediantao transferred 99.85% equity interest it held in Huaqing Edian to Edianzu HK for a consideration of USD63,650,000, which is equivalent to the paid-up registered capital of Huaqing Edian contributed by Beijing Ediantao. On August 20, 2021, Edianzu HK and Able Cloud entered into a share transfer agreement, pursuant to which Able Cloud transferred 0.15% equity interest it held in Huaqing Edian to Edianzu HK. Upon completion of the transactions, Huaqing Edian was wholly owned by Edianzu HK.

2. Acquisition of Beijing Ediantao by Edianzu HK

On August 10, 2021, Edianzu HK subscribed 0.9901% of the equity interest in Beijing Ediantao at nominal value. On October 15, 2021, the shares held by the onshore investment vehicles of the Pre-[REDACTED] Investors (the “Onshore Pre-[REDACTED] Investors”) in Beijing Ediantao were repurchased and cancelled by Beijing Ediantao, the consideration for which were equivalent to the initial investment amount paid by each Onshore Pre-[REDACTED] Investor. After that, the Pre-[REDACTED] Investors (through their respective investment vehicles) have further subscribed for the shares of the Company offshore with approximately the same amount of consideration.

On November 19, 2021, Ji Peng Cheng, Zhang Bin and Edianzu HK entered into a share transfer agreement, pursuant to which Ji Peng Cheng and Zhang Bin transferred all of their equity interests in Beijing Ediantao to Edianzu HK for a consideration of RMB1,779,000 in aggregate. Upon completion of the transaction, Beijing Ediantao was wholly owned by Edianzu HK.

The Group’s onshore incentive platforms included nine limited partnerships beneficially owned by the Group’s current and past employees and advisors. It served as an onshore incentive shareholding platform of the Company before the Reorganisation. Such onshore incentive platforms have ceased to hold any interests in Beijing Ediantao upon completion of the Reorganisation, which have been reflected in the Company offshore.

APPENDIX I

ACCOUNTANTS’ REPORT

3. Issuance of Shares to the Pre-[REDACTED] Investors to substantially reflect their shareholdings in Beijing Ediantao

On October 12, 2021, the Company and the Pre-[REDACTED] Investors entered into the offshore shares purchase agreement, pursuant to which the Company issued, and the Pre-[REDACTED] Investors, through their respective offshore investment vehicles, subscribed for the shares in the Company to substantially reflect their respective rights, obligations and shareholdings in Beijing Ediantao held by their onshore investment vehicles.

Upon the completion of the Reorganisation, the Company became the holding Company of the operating entities which are undertaking the business of the Group. Prior to the completion of the Reorganisation, the Company does not involve in any other business and the Reorganisation has not resulted in any change of management of such business and the ultimate owners of the business remain the same.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period include the results, changes in equity and cash flows of the companies which are under the same ownership of the ultimate shareholders and now comprising the Group as if the current group structure had been in existence throughout the Track Record Period or since the respective dates of establishment, whichever is a shorter period.

The consolidated statement of financial position of the Group as at December 31, 2020, have been prepared to present the assets and liabilities of the companies now comprising the Group at that date, as if the current group structure had been in existence as at that date.

As at December 31, 2020, 2021 and 2022, the Group had net current liabilities of RMB2,145,076,000, RMB814,720,000 and RMB760,031,000, net liabilities of RMB975,928,000, RMB1,315,250,000 and RMB1,910,348,000 and accumulated losses of RMB1,047,079,000, RMB1,395,690,000 and RMB2,007,887,000 respectively. The Group assesses its liquidity by its ability to generate cash from operating activities and attract additional capital and/or finance funding. Historically, the Group has relied principally on financing from investors (e.g. convertible preferred shares), banks and other financial institutions to fund its operations and business development.

The Group’s ability to continue as a going concern is dependent on management’s ability to successfully execute its business plan, which includes increasing revenue while controlling operating expenses, as well as generating operational cash flows and continuing to gain support from banks and other financial institutions.

The convertible preferred shares shall automatically be converted into ordinary shares upon the [REDACTED]. The details of these convertible preferred shares are set out in Note 24. Under any circumstances, no significant cash flow impact is expected in the next twelve months from the end of the reporting period for the convertible preferred shares.

Based on the above considerations, the Group’s historical performance and management’s operating and financing plans, the Group has performed a working capital forecast for the next twelve months. Taking into account the convertible preferred shares are not expected to be redeemed in the next twelve months from the end of the reporting period and the financial resources available to the Group, including cash and cash equivalents on hand, operating and financing cash flows, the directors of the Company believe that the Group will have sufficient financial resources to satisfy its future working capital in the next twelve months from the end of the reporting period. The directors of the Company consider that it is appropriate that the Historical Financial Information is prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with the International Accounting Standards (“IASs”), IFRSs, amendments to IFRSs and the related interpretations issued by the IASB, which are effective for the accounting period beginning on January 1, 2022 throughout the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but not yet effective:

Standards/Amendments	Content	Effective for annual periods beginning on or after
IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	January 1, 2024
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

As at December 31, 2021 and 2022, the Group’s outstanding convertible preferred shares include counterparty conversion options that do not meet equity instruments classification by applying IAS 32. The Group classified convertible preferred shares as current or non-current based on the earliest date in which the Group has the obligation to redeem these instruments through cash settlement. The convertible preferred shares were designated as at FVTPL with carrying amount of RMB2,282,188,000 and RMB2,984,358,000 as at December 31, 2021 and 2022, respectively, and were classified as non-current as the redemption rights of these convertible preferred shares were suspended in October 2021 and further suspended in December 2022 as detailed in Note 24. Upon the application of the amendments, in addition to the obligation to redeem through cash settlement, the transfer of equity instruments upon the exercise of the conversion options that do not meet equity instruments classification also constitute settlement of the convertible preferred shares. Given that the convertible options are exercisable anytime, the convertible preferred shares designated as at FVTPL amounting to RMB2,282,188,000 and RMB2,984,358,000 as at December 31, 2021 and 2022, respectively, would be reclassified to current liabilities as the holders have the option to convert within twelve months.

APPENDIX I

ACCOUNTANTS’ REPORT

Except for as disclosed above, the application of the amendments will not result in reclassification of the Group’s other liabilities as at December 31, 2020, 2021 and 2022.

Except for the amendments to IFRSs mentioned above, the directors of the Company anticipate that the application of other new and amendments to IFRSs will have no material impact on the Group’s financial position and performance and/or the disclosures to the financial statements when they become effective.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based payment*, leasing transactions that are accounted for in accordance with IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

APPENDIX I

ACCOUNTANTS' REPORT

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Investments in subsidiaries

Investments in subsidiaries are stated in the statements of financial position of the Company at cost less identified impairment loss, if any.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

APPENDIX I

ACCOUNTANTS' REPORT

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The Group's revenue from sale of devices is recognised at a point in time while revenue relating to the provision of software-as-a-service and other services is recognised over time.

For the software-as-a-service and other services, the progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognises interest income during the period between the payment from customers and the transfer of the associated goods or services.

Contract costs

Costs to fulfil a contract

The Group incurs costs to fulfil a service contract of software development. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- (a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- (b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (c) the costs are expected to be recovered.

APPENDIX I

ACCOUNTANTS' REPORT

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the services to which the assets relate. The asset is subject to impairment review.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, the right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the carrying amount of the relevant right-of-use assets are transferred to rental computer devices.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted for under IFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

APPENDIX I

ACCOUNTANTS' REPORT

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liabilities, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Lease income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group's contracts with customers for providing office IT integrated solution which contains hardware and service are within the scope of IFRS16 and all income earned is recognised as lease income and presented as revenue as it is derived from the Group's ordinary course of business.

APPENDIX I

ACCOUNTANTS' REPORT

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

All borrowing costs not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Retirement benefits costs

Payments to the state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

APPENDIX I

ACCOUNTANTS' REPORT

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserve. When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will continue to be held in share-based payments reserve.

When new equity instruments are granted to the employee in connection with the cancellation of existing equity instruments, the Group determined whether the new equity instruments granted are replacement equity instruments for the cancelled equity instruments. If new equity instruments are identified, on the date when they are granted, as replacement equity instruments for the cancelled equity instruments, in which case they are accounted for as a modification of the original equity instruments. If the Group does not identify new equity instruments granted as replacement equity instruments for those cancelled, the new equity instruments are accounted for as a new grant.

Taxation

Income tax expense represents the sum of the current tax and deferred tax.

The current tax payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

APPENDIX I

ACCOUNTANTS' REPORT

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Rental computer devices

Rental computer devices are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Rental computer devices are depreciated over the estimated useful life on a straight line basis. The Group also estimates the residual value of the rental computer devices at the expected time of disposal. The Group makes use of currently available market information and the estimated residual values for rental computer devices are based on factors including model and age.

The Group makes periodic adjustments to the depreciation rates of rental computer devices in response to the latest market conditions and their effect on residual values as well as the estimated time of disposal. Such adjustments are accounted for as changes in accounting estimates.

Rental computer devices are transferred to inventories at their carrying amount when they cease to be rented and become held for sale, as the Group routinely sells rental computer devices to others.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The Group's intangible assets as at December 31, 2020, 2021 and 2022 mainly included software which are amortised on a straight-line basis over 2 years.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Impairment on rental computer devices, right-of-use assets, contract costs and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its rental computer devices, right-of-use assets, intangible assets with finite useful lives and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

APPENDIX I

ACCOUNTANTS' REPORT

The recoverable amount of rental computer devices, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Before the Group recognises an impairment loss for assets capitalised as contract costs under IFRS 15 *Revenue from Contracts with Customers*, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statements of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash.
- (b) cash equivalents, which comprise short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

APPENDIX I

ACCOUNTANTS' REPORT

Inventories

Inventories comprise used rental computer devices for sale and spare parts of computer devices and are stated at the lower of cost and net realisable value. Cost of used rental computer devices for sale is calculated on specific identification basis. Cost of spare parts are based on purchase costs and are determined by the weighted average method. Net realizable value represents the estimated selling price in ordinary course of business less the estimated costs of completion and necessary costs to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

APPENDIX I

ACCOUNTANTS' REPORT

Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in "other gains and losses, net".

Impairment of financial assets and other item subject to impairment assessment under IFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade receivables arising from contracts with customers, debt instruments at FVTOCI, other receivables, amounts due from shareholders, cash and cash equivalents and pledged bank deposits and time deposits) and other item (lease receivables included in trade receivables), which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables arising from contracts with customers and lease receivables. The ECL on these assets are assessed individually for debtors with significant balances and credit impaired and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

APPENDIX I

ACCOUNTANTS' REPORT

- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

APPENDIX I

ACCOUNTANTS' REPORT

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by the directors of the Company to ensure the constituents of each group continue to share similar credit risk characteristics.

Except for debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account. For debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in reserve in relation to accumulated loss allowance.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of debt instruments classified as at FVTOCI, the cumulative gain or loss previously accumulated in reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs. Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amounts due to preferred shareholders, amounts due to shareholders, deposits received for rental computer devices, bond payable and borrowings are subsequently measured at amortised cost, using the effective interest method.

APPENDIX I

ACCOUNTANTS' REPORT

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 *Business Combinations* applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

Preferred Shares (as defined in Note 24) and convertible bonds, which contain redemption features and other embedded derivatives, are designated as financial liabilities at FVTPL. The amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of Preferred Shares and convertible bonds is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

Fair values of Preferred Shares, warrants and convertible bonds are determined in the manner as described in Note 24.

Derecognition/modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

APPENDIX I

ACCOUNTANTS' REPORT

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

When an existing financial liability is renegotiated in such a way that the liability is extinguished fully or partially by issuing equity instruments, it is accounted for as an extinguishment of the original financial liability and a recognition of equity instrument at the fair value upon issue with the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the consideration paid (being the fair value of the equity instruments issued), recognised to profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below) that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Contractual Arrangements

During the Track Record Period, the Group conducts a substantial portion of the business through the Consolidated Affiliated Entities in the PRC. The Group does not have any equity interest in the Consolidated Affiliated Entities. The directors of the Company assessed whether or not the Group has control over the Consolidated Affiliated Entities based on whether the Group has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities. After assessment, the directors of the Company concluded that the Group has control over the Consolidated Affiliated Entities as a result of the Contractual Arrangements and other measures and accordingly, the Group has consolidated the Consolidated Affiliated Entities during the Track Record Period.

APPENDIX I

ACCOUNTANTS' REPORT

Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The directors of the Company, based on the advice of its legal advisor, consider that the Contractual Arrangements among Huaqing Edian, the Consolidated Affiliated Entities and their equity holders are in compliance with the relevant PRC Laws and are legally enforceable.

In January 2021, the Group has terminated the Contractual Arrangements. As advised by the Company's legal advisor, the termination of the Contractual Arrangements was binding among the parties thereto and the Contractual Arrangements has been effectively unwind as at such date.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of Preferred Shares, warrants and convertible bonds

The Group has issued a series of Preferred Shares, warrants and convertible bonds prior to and during the Track Record Period as set out in Note 24. The Group recorded these financial instruments as financial liabilities at FVTPL for which no quoted prices in an active market exist. The fair value of the financial instruments is established by using valuation techniques, which include discounted cash flow and equity allocation based on Black-Scholes option pricing model involving various parameters and inputs to arrive at the fair value of Preferred Shares, warrants and convertible bonds at the end of each reporting period. Valuation techniques adopted by an independent qualified professional valuer are calibrated to ensure that outputs reflect market conditions. However, it should be noted that some inputs, such as fair value of the ordinary shares of the Company as assessed by the directors of the Company, possibilities under different scenarios, such as listing, redemption and liquidation, and other inputs, such as risk-free interest rate, expected volatility and discount for lack of marketability, require management estimates. The estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the financial liabilities at FVTPL. The fair values of Preferred Shares, warrants and convertible bonds of the Group at December 31, 2020, 2021 and 2022 are set out in Note 24.

Provision of ECL for trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually. In addition, the Group uses practical expedient in estimating ECL on trade receivables which are assessed collectively using a provision matrix. The provision rates are based on aging of debtors through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and forward-looking information that is available without undue cost or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note 31.

Deferred tax assets

As at December 31, 2020, 2021 and 2022, deferred tax assets of RMB7,923,000, RMB26,131,000 and RMB86,653,000, respectively in relation to unused tax losses and deductible temporary differences for certain subsidiaries have been recognised in the consolidated statements of financial position. The Group recognised the deferred tax asset to the extent that these entities will have sufficient taxable profit in the future. No deferred tax asset has been recognised in relation to unused tax losses amounting to RMB188,319,000, RMB185,220,000 and RMB81,050,000 and deductible temporary differences amounting to RMB81,688,000, RMB4,079,000 and RMB5,854,000 as at December 31, 2020, 2021 and 2022, respectively, due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a change takes place.

APPENDIX I

ACCOUNTANTS' REPORT

6. REVENUE AND SEGMENT INFORMATION

The Group's principal business is engaged in providing office IT integrated solution and other services to its customers.

The Group's chief operating decision maker, who has been identified as the Chief Executive Officer, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment.

As the Group's non-current assets are all located in the PRC and all the Group's revenue are derived from the PRC, no geographical information is presented. During the Track Record Period, there was no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group's revenue.

	Year ended December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Revenue			
Pay-as-you-go* office IT integrated solution revenue recognised as lease income under IFRS 16	643,345	997,895	1,165,159
Sales of devices	157,255	172,661	193,461
Software-as-a-Service ("SaaS") and others	12,548	13,193	13,269
	<u> </u>	<u> </u>	<u> </u>
Total	<u>813,148</u>	<u>1,183,749</u>	<u>1,371,889</u>

* Pay-as-you-go described the subscription method of the Group where customers can subscribe and unsubscribe for the office IT integrated solution which contains hardware and service based on their ever-changing actual needs.

(a) Disaggregation of revenue from contracts with customers

Types of goods or service

	Year ended December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Sales of devices			
Devices	156,370	170,240	190,386
Computer accessories	885	2,421	3,075
	<u> </u>	<u> </u>	<u> </u>
Total	<u>157,255</u>	<u>172,661</u>	<u>193,461</u>
SaaS and others			
SaaS	5,264	3,307	5,629
Other services	7,284	9,886	7,640
	<u> </u>	<u> </u>	<u> </u>
Total	<u>12,548</u>	<u>13,193</u>	<u>13,269</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Timing of revenue recognition			
A point in time	157,255	172,661	193,461
Over time	12,548	13,193	13,269
Total	<u>169,803</u>	<u>185,854</u>	<u>206,730</u>

(b) Performance obligations for contracts with customers

Sales of devices

The Group sells devices and computer accessories directly to customers through internet sales.

Revenue is recognised when the customer obtains control of the goods, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer’s specific location. When the customer initially purchases the goods online, the transaction price received by the Group is recognised as contract liabilities until the goods have been delivered to the customer.

SaaS and others

The SaaS services arise from the Group’s self-developed “Ebandian” system which is designed to provide SaaS to enterprise customers in managing their assets and inventories.

Other services mainly include the maintenance support and assistance to customers of the Group.

The performance obligation is satisfied over time as services are rendered, which is measured based on output method. Short term advances are normally required before rendering the services. Services provided are for periods of one year or less, and are billed based on the time incurred.

(c) Transaction price allocated to the remaining performance obligations for contracts with customers

The Group applies the practical expedient of not disclosing the transaction price allocated to the remaining performance obligation as the original expected duration of all the contracts from customers of the Group are within one year or less.

(d) Pay-as-you-go office IT integrated solution revenue recognised as lease income under IFRS 16

	Year ended December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
For operating leases:			
Lease payments that are fixed	<u>643,345</u>	<u>997,895</u>	<u>1,165,159</u>

The Group leases out self-owned or leased-in computer devices under the pay-as-you-go subscription method, which affords customers the freedom of subscribing for a flexible term, generally on a monthly basis, or up to three years, at a monthly fixed fee subject to termination penalties. Subscription deposits are waived as long as the enterprise customer met the required credit information and passed the Group’s internal risk assessment. Monthly payments are automatically withdrawn on the payment dates from the customers’ accounts. The Group normally grant a credit period up to 5 days after the issuance of billing to customers.

APPENDIX I

ACCOUNTANTS’ REPORT

7A. OTHER INCOME

	Year ended December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Interest income from banks	11,763	1,767	6,561
Interest income from trade receivable under installment sales	6,583	7,060	5,096
Government grants (<i>Note i</i>)	610	181	1,766
Compensation income (<i>Note ii</i>)	1,740	622	575
Additional value added tax (“VAT”) input deduction (<i>Note iii</i>)	–	–	34,905
Total	<u>20,696</u>	<u>9,630</u>	<u>48,903</u>

Notes:

- i. Government grants mainly represent subsidies received from local governments in Beijing, Wuhan and Shenzhen for rewarding the innovative activities and subsidizing the job stabilization of certain subsidiaries of the Group.
- ii. Compensation income represents devices damage compensations paid by the Group’s customers.
- iii. Additional VAT input deduction were recognised in profit or loss due to the VAT reform. In accordance with Taxation Announcement No. 39 of 2019, the Group is eligible for additional VAT input deduction by 10% of the current period VAT payable from April 1, 2019 to December 31, 2021 and the implementation period was further extended to December 31, 2022 in accordance with Taxation Announcement No. 11 of 2022.

7B. OTHER GAINS AND LOSSES, NET

	Year ended December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
(Loss)/gain on changes in fair value of financial assets at FVTPL	(3,178)	457	911
Net exchange (loss)/gain	(33,629)	14,933	6,211
Loss on written-off of rental computer devices (<i>Note i</i>)	(12,629)	(6,817)	(22,811)
Gain/(loss) on termination of lease contract	157	(1,814)	–
Others	16	(578)	(197)
Total	<u>(49,263)</u>	<u>6,181</u>	<u>(15,886)</u>

Note:

- i. For the customers with six months overdue billings, the Group ceases to recognise revenue and recognises loss on written-off of rental computer devices held by the customers, which the management of the Group believed are unable to be recovered.

APPENDIX I

ACCOUNTANTS’ REPORT

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Year ended December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Impairment losses, net of reversal, recognised on:			
Trade receivables	32,192	30,380	51,066
Other receivables	(37)	151	47
	<u>32,155</u>	<u>30,531</u>	<u>51,113</u>
Total	<u><u>32,155</u></u>	<u><u>30,531</u></u>	<u><u>51,113</u></u>

9. FINANCE COSTS

	Year ended December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Interest on borrowings	87,022	124,205	131,325
Interest on lease liabilities	8,320	21,895	37,234
Interest on bond payable	–	137	1,036
	<u>95,342</u>	<u>146,237</u>	<u>169,595</u>
Total	<u><u>95,342</u></u>	<u><u>146,237</u></u>	<u><u>169,595</u></u>

10A. INCOME TAX EXPENSE/(CREDIT)

	Year ended December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Current enterprise income tax	728	845	901
Deferred tax	–	(3,623)	(35,559)
	<u>728</u>	<u>(2,778)</u>	<u>(34,658)</u>
Total	<u><u>728</u></u>	<u><u>(2,778)</u></u>	<u><u>(34,658)</u></u>

Cayman Islands

Under the current laws of the Cayman Islands, the Company incorporated in the Cayman Islands is not subject to tax on income or capital gains. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

Hong Kong

The Company’s subsidiaries domiciled in Hong Kong are subject to a two-tiered income tax rate for taxable income earned in Hong Kong effectively since April 1, 2018. The first 2 million Hong Kong dollars of profits earned by the qualifying group entity are subject to be taxed at an income tax rate of 8.25%, while the remaining profits will continue to be taxed at the existing tax rate, 16.5%. To avoid abuse of the two-tiered tax regime, each group of connected entities can nominate only one entity to benefit from the two-tiered tax rate. Additionally, payments of dividends by the subsidiaries incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax.

PRC

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the statutory tax rate of the PRC subsidiaries is 25% during the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

Beijing Ediantao has been accredited as a “New and High Technical Enterprise” by the Science and Technology Bureau of Beijing and relevant authorities in October 2019 for a term of three years from 2019 to 2021 and renewed the certificate in December 2022 for another term of three years from 2022 to 2024. In accordance with the “Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax”, New and High Technical Enterprise is subject to income tax at a tax rate of 15%.

Certain subsidiaries have been approved as Small Low-profit Enterprise. The entitled subsidiaries are subject to a preferential income tax rate of 10% up to December 31, 2022.

According to the relevant laws and regulations in the PRC, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (“Super Deduction”). The State Taxation Administration of the PRC announced in September 2018 that enterprises engaging in research and development activities would entitle to claim 175% of their research and development expenses as Super Deduction from January 1, 2018 to December 31, 2023.

The State Taxation Administration of the PRC announced in September 2022 that enterprises accredited as “New and High Technical Enterprise” would be entitled to claim 100% of the purchase price for equipment and appliances newly purchased during the period from October 1, 2022 to December 31, 2022 as tax deductible expenses and 100% additional deduction for the year ended December 31, 2022.

Withholding tax on undistributed dividends

The EIT Law also imposes a withholding income tax of 10% on dividends distributed by a foreign investment enterprise (the “FIE”) to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company’s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement.

According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the FIE satisfies the criteria for “beneficial owner” under Circular No. 9, which was issued by the State Taxation Administration in February 2018, and the foreign investor owns directly at least 25% of the shares of the FIE). The Company did not record any withholding tax on any profits generated by the PRC operating entities, as the Company intends to reinvest its profits in China to further expand its business in China, and its FIEs do not intend to declare dividends on the retained earnings to their immediate foreign holding companies.

The income tax expense/(credit) for the Track Record Period can be reconciled to loss before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Loss before tax	(87,716)	(351,023)	(646,265)
Tax at PRC statutory income tax rate of 25%	(21,929)	(87,756)	(161,566)
Tax effect of expenses that are not deductible for tax purpose net of income not subject to tax (Note i)	32,419	116,417	187,222
Tax effect of Super Deduction for research and development expenses	(7,998)	(10,888)	(14,654)
Tax effect of additional deduction for purchase of devices	–	–	(26,500)
Tax effect of utilisation of tax losses and deductible temporary differences previously not recognised	(23,087)	(6,094)	(513)

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended December 31,		
	2020	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Recognition of deferred tax assets on deductible temporary differences and tax losses previously not recognised	–	(14,851)	(29,271)
Tax effect of tax losses and deductible temporary differences not recognised	20,600	767	4,185
Withholding tax of interest income (<i>Note ii</i>)	1,816	290	–
Effect on different tax rate of subsidiaries	(1,093)	(663)	6,439
	<u>728</u>	<u>(2,778)</u>	<u>(34,658)</u>

Notes:

- i. The amounts mainly consist of gain/(loss) on changes in fair value of financial liabilities at FVTPL and expenses related to the share options granted.
- ii. The withholding tax was imposed on interest income arising from the cash and cash equivalents, pledged bank deposits held by the Company deposited in the banks of Mainland China.

10B. DEFERRED TAX ASSETS/(LIABILITIES)

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting:

	As at December 31,		
	2020	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Deferred tax assets	–	4,450	39,182
Deferred tax liabilities	–	(827)	–
Total	<u>–</u>	<u>3,623</u>	<u>39,182</u>

The followings are the major deferred tax assets/(liabilities) recognised and movements thereon during the Track Record Period:

	Accelerated tax		ECL		Total
	Leases	depreciation	Tax losses	provision	
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2020	–	–	–	–	–
(Charge)/credit to profit or loss	–	(7,923)	7,923	–	–
At December 31, 2020	–	(7,923)	7,923	–	–
(Charge)/credit to profit or loss	(16,945)	2,360	1,449	16,759	3,623
At December 31, 2021	(16,945)	(5,563)	9,372	16,759	3,623
(Charge)/credit to profit or loss	(12,721)	(12,242)	53,305	7,217	35,559
At December 31, 2022	<u>(29,666)</u>	<u>(17,805)</u>	<u>62,677</u>	<u>23,976</u>	<u>39,182</u>

APPENDIX I

ACCOUNTANTS' REPORT

At December 31, 2020, 2021 and 2022, the Group had deductible temporary differences of approximately RMB81,688,000, RMB115,805,000 and RMB165,695,000, respectively, among which nil, RMB111,726,000 and RMB159,841,000 deductible temporary differences were recognised as deferred tax assets. No deferred tax asset has been recognised in relation to the remaining deductible temporary differences amounting to RMB81,688,000, RMB4,079,000 and RMB5,854,000, respectively, as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

As at December 31, 2020, 2021 and 2022, the Group had estimated unused tax losses of approximately RMB241,137,000, RMB235,827,000 and RMB420,841,000, respectively, available for offset against future profits, among which RMB52,818,000, RMB50,607,000 and RMB339,791,000 unused tax losses were recognised as deferred tax assets. No deferred tax asset has been recognised in relation to the remaining tax losses amounting to RMB188,319,000, RMB185,220,000 and RMB81,050,000 as at December 31, 2020, 2021 and 2022, respectively, due to the unpredictability of future profit streams. As at December 31, 2020, 2021 and 2022, tax losses incurred by subsidiaries in the PRC of RMB177,140,000, RMB146,281,000 and RMB42,111,000 will expire in the next five years, tax losses of RMB11,179,000, RMB38,939,000 and RMB38,939,000 incurred by the subsidiaries in Hong Kong not yet confirmed by the Hong Kong Inland Revenue Department may be carried forward indefinitely.

11. LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR

	Year ended December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Cost of pay-as-you-go office IT integrated solution revenue recognised as lease income under IFRS 16	331,644	457,546	524,873
Cost of sales of devices	142,429	157,974	218,706
Cost of SaaS and others	2,030	3,007	1,767
Promotion and advertising expenses	17,078	20,035	5,499
Employee benefit expenses (including directors' emoluments as set out in Note 12)			
– Salaries, allowances and benefits	211,979	243,166	260,775
– Retirement benefits	7,950	39,577	49,719
– Share-based payments (Note 29)	62,529	7,739	16,509
Total employee benefit expenses	282,458	290,482	327,003
Expenses related to short-term leases	1,087	2,883	4,669
Depreciation of other right-of-use assets	11,580	16,331	26,282
Amortisation of intangible assets	95	234	410
Auditor's remuneration	387	412	–

APPENDIX I

ACCOUNTANTS’ REPORT

12. DIRECTORS’ AND CHIEF EXECUTIVE’S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Directors’ and chief executive’s emoluments

Directors’ and chief executive’s remuneration (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) for the Track Record Period, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

(a) *The remuneration of directors and chief executive is set out below:*

	For the year ended December 31, 2020					Total RMB’000
	Salaries and other allowances RMB’000	Fee RMB’000	Retirement benefits scheme contributions RMB’000	Discretionary bonuses RMB’000 (Note i)	Share-based payments RMB’000	
Executive directors:						
Mr. Ji Peng Cheng (Chief Executive Officer) (Note ii)	268	–	40	500	33,051	33,859
Mr. Zhang Bin (Note iii)	268	–	40	500	22,034	22,842
Mr. Zheng Tao (Note viii)	268	–	40	93	1,187	1,588
	<u>804</u>	<u>–</u>	<u>120</u>	<u>1,093</u>	<u>56,272</u>	<u>58,289</u>
Non-executive directors:						
Mr. Xiao Min (Note iv)	–	–	–	–	–	–
Mr. Cheng Tian (Note iv)	–	–	–	–	–	–
Mr. Huang Yu (Note iv)	–	–	–	–	–	–
Mr. Ding Boran (Note v)	–	–	–	–	–	–
Mr. Chang Kaisi (Note vi)	–	–	–	–	–	–
Mr. Tian Wenkai (Note vii)	–	–	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total	<u>804</u>	<u>–</u>	<u>120</u>	<u>1,093</u>	<u>56,272</u>	<u>58,289</u>

	For the year ended December 31, 2021					Total RMB’000
	Salaries and other allowances RMB’000	Fee RMB’000	Retirement benefits scheme contributions RMB’000	Discretionary bonuses RMB’000 (Note i)	Share-based payments RMB’000	
Executive directors:						
Mr. Ji Peng Cheng (Chief Executive Officer) (Note ii)	940	–	104	650	–	1,694
Mr. Zhang Bin (Note iii)	835	–	104	650	–	1,589
Mr. Zheng Tao (Note viii)	816	–	104	188	563	1,671
Mr. Xiang Zheng (Note viii)	456	–	44	151	827	1,478
	<u>3,047</u>	<u>–</u>	<u>356</u>	<u>1,639</u>	<u>1,390</u>	<u>6,432</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	For the year ended December 31, 2021					
	Salaries and other allowances <i>RMB’000</i>	Fee <i>RMB’000</i>	Retirement benefits scheme contributions <i>RMB’000</i>	Discretionary bonuses <i>RMB’000</i> <i>(Note i)</i>	Share-based payments <i>RMB’000</i>	Total <i>RMB’000</i>
Non-executive directors:						
Mr. Xiao Min <i>(Note iv)</i>	-	-	-	-	-	-
Mr. Cheng Tian <i>(Note iv)</i>	-	-	-	-	-	-
Mr. Huang Yu <i>(Note iv)</i>	-	-	-	-	-	-
Mr. Chang Kaisi <i>(Note vi)</i>	-	-	-	-	-	-
Mr. Tian Wenkai <i>(Note vii)</i>	-	-	-	-	-	-
	-	-	-	-	-	-
Total	3,047	-	356	1,639	1,390	6,432

	For the year ended December 31, 2022					
	Salaries and other allowances <i>RMB’000</i>	Fee <i>RMB’000</i>	Retirement benefits scheme contributions <i>RMB’000</i>	Discretionary bonuses <i>RMB’000</i> <i>(Note i)</i>	Share-based payments <i>RMB’000</i>	Total <i>RMB’000</i>
Executive directors:						
Mr. Ji Peng Cheng (Chief Executive Officer) <i>(Note ii)</i>	654	-	114	155	-	923
Mr. Zhang Bin <i>(Note iii)</i>	654	-	114	155	-	923
Mr. Zheng Tao <i>(Note viii)</i>	891	-	114	245	760	2,010
Mr. Xiang Zheng <i>(Note viii)</i>	1,304	-	114	309	2,062	3,789
	3,503	-	456	864	2,822	7,645
Non-executive director:						
Mr. Chang Kaisi <i>(Note vi)</i>	-	-	-	-	-	-
	-	-	-	-	-	-
Total	3,503	-	456	864	2,822	7,645

Notes:

- i. Discretionary bonuses are determined based on the Group’s performance, performance of the relevant individual within the Group and comparable market statistics.
- ii. Appointed as executive director and Chief Executive Officer of the Company commenced from November 18, 2015.
- iii. Appointed as executive director of the Company commenced from November 18, 2015.
- iv. Appointed as non-executive director of the Company commenced from March 8, 2016, and resigned from directorship on October 12, 2021.

APPENDIX I

ACCOUNTANTS’ REPORT

- v. Appointed as non-executive director of the Company commenced from November 29, 2016, and resigned from directorship on November 28, 2020.
- vi. Appointed as non-executive director of the Company commenced from February 13, 2018, and resigned from directorship on February 11, 2022.
- vii. Appointed as non-executive director of the Company commenced from November 28, 2020, and resigned from directorship on October 12, 2021.
- viii. Mr. Zheng Tao and Mr. Xiang Zheng were appointed as executive directors of the Company commenced from February 25, 2022.
- ix. Mr. Hong Weili, Mr. Song Shiji, Mr. Wang Jingbo and Ms. Li Dan were appointed as independent non-executive directors on February 25, 2022 and will take effect on [●], 2023.

(b) Benefits and interests of directors

Except for the emoluments disclosed above, there is no other benefits offered to the directors.

(c) Directors’ termination benefits

No director’s termination benefit subsisted at the end of the period or at any time during the Track Record Period.

(d) Consideration provided to third parties for making available directors’ services

No consideration provided to third parties for making available director’s services subsisted at the end of the period or at any time during the Track Record Period.

(e) Information about loans, quasi-loans and other dealings in favor of directors, their controlled bodies and connected entities

No loans, quasi-loans and other dealings in favor of directors, their controlled bodies corporate and connected entities subsisted at the end of the period or at any time during the Track Record Period.

(f) Directors’ material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group’s business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the Track Record Period.

Five highest paid employees

The five highest paid employees of the Group included three, one and one directors for the years ended December 31, 2020, 2021 and 2022, respectively, details of whose remuneration are set out above. Details of the remuneration for the remaining two, four and four highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended December 31,		
	2020	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Salaries, allowances and benefits	1,071	3,199	4,055
Retirement benefits	59	392	454
Discretionary bonuses	191	988	973
Share-based payments	1,765	1,958	6,456
	<hr/>	<hr/>	<hr/>
Total	3,086	6,537	11,938
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

APPENDIX I

ACCOUNTANTS' REPORT

The number of the highest paid employees who are neither directors nor chief executive of the Company whose remuneration fell within the following bands is as follows:

	Number of employees		
	Year ended December 31,		
	2020	2021	2022
Emoluments bands in Hong Kong Dollars ("HKD")			
HKD1,500,001 to HKD2,000,000	1	3	–
HKD2,000,001 to HKD2,500,000	1	1	–
HKD2,500,001 to HKD3,000,000	–	–	1
HKD3,000,001 to HKD3,500,000	–	–	1
HKD3,500,001 to HKD4,000,000	–	–	2
	<u>2</u>	<u>4</u>	<u>4</u>
Total	<u>2</u>	<u>4</u>	<u>4</u>

During the Track Record Period, no emoluments were paid by the Group to any of the executive directors, or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and chief executive has waived any emoluments during the Track Record Period.

13. LOSS PER SHARE

	Year ended December 31,		
	2020	2021	2022
Loss for the year attributable to the owners of the Company for the purpose of calculating basic and diluted loss per share (RMB'000)	<u>(88,444)</u>	<u>(348,245)</u>	<u>(611,607)</u>
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>112,177,945</u>	<u>117,920,720</u>	<u>117,920,720</u>

The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share has been determined on the assumption that the Reorganisation as disclosed in Note 2 [and share subdivision as described in Note 36] had been effective since January 1, 2020.

Diluted loss per share for the years ended December 31, 2020, 2021 and 2022, did not consider potential ordinary shares, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended December 31, 2020, 2021 and 2022 are the same as basic loss per share of the respective year.

14. DIVIDEND

No dividend was declared or paid by the Company and its subsidiaries in respect of the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

15. RENTAL COMPUTER DEVICES

	Self-owned <i>RMB'000</i>
COST	
At January 1, 2020	1,113,952
Additions	662,737
Exercise of purchase option of leased-in rental computer devices	26,549
Eliminated on disposals and transfers to inventories	<u>(328,914)</u>
At December 31, 2020	1,474,324
Additions	809,295
Exercise of purchase option of leased-in rental computer devices	4,361
Eliminated on disposals and transfer to inventories	<u>(375,771)</u>
At December 31, 2021	1,912,209
Additions	335,221
Exercise of purchase option of leased-in rental computer devices	58,393
Eliminated on disposals and transfer to inventories	<u>(476,809)</u>
At December 31, 2022	<u><u>1,829,014</u></u>
DEPRECIATION AND IMPAIRMENT	
At January 1, 2020	207,842
Charge for the year	198,124
Eliminated on disposals and transfers to inventories	<u>(168,118)</u>
At December 31, 2020	237,848
Charge for the year	251,729
Eliminated on disposals and transfers to inventories	<u>(193,379)</u>
At December 31, 2021	296,198
Charge for the year	308,620
Eliminated on disposals and transfers to inventories	<u>(232,796)</u>
At December 31, 2022	<u><u>372,022</u></u>
CARRYING AMOUNT	
At December 31, 2020	<u><u>1,236,476</u></u>
At December 31, 2021	<u><u>1,616,011</u></u>
At December 31, 2022	<u><u>1,456,992</u></u>

The above rental computer devices, after taking into account the residual values, are depreciated on a straight-line basis at 14.29%-33.33% per annum.

Rental computer devices with a total carrying value of RMB831,360,000, RMB432,089,000 and RMB932,439,000 as at December 31, 2020, 2021 and 2022, respectively, were pledged as security for certain of the Group’s interest-bearing borrowings as well as the associated collection rights of future rental proceeds for rental computer devices with a carrying value of RMB30,205,000, RMB18,189,000 and RMB15,646,000 respectively.

APPENDIX I

ACCOUNTANTS' REPORT

16. LEASES

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the Track Record Period are as follows:

	Buildings and warehouses	Leased-in rental computer devices	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount at January 1, 2020	19,546	45,280	64,826
Additions	10,996	89,374	100,370
Transfer to rental computer devices	–	(26,549)	(26,549)
Termination of lease contract	(2,209)	–	(2,209)
Depreciation charge	(11,580)	(11,271)	(22,851)
	<u>16,753</u>	<u>96,834</u>	<u>113,587</u>
Carrying amount at December 31, 2020	16,753	96,834	113,587
Additions	37,704	320,801	358,505
Transfer to rental computer devices	–	(4,361)	(4,361)
Termination of lease contract	(7,627)	–	(7,627)
Depreciation charge	(16,331)	(33,728)	(50,059)
	<u>30,499</u>	<u>379,546</u>	<u>410,045</u>
Carrying amount at December 31, 2021	30,499	379,546	410,045
Additions	31,718	199,519	231,237
Transfer to rental computer devices	–	(58,393)	(58,393)
Depreciation charge	(26,282)	(61,387)	(87,669)
	<u>35,935</u>	<u>459,285</u>	<u>495,220</u>
Carrying amount at December 31, 2022	<u>35,935</u>	<u>459,285</u>	<u>495,220</u>
	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expense relating to short-term leases	1,087	2,883	4,669
Total cash outflow for leases	<u>70,726</u>	<u>171,928</u>	<u>273,778</u>

The Group leases certain of its buildings and warehouses and computer devices which are negotiated for terms ranging from 13 months to 96 months. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term or from commencement date to the end of the useful life in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term.

The Group assesses whether there are any indicators of impairment for right-of-use assets at the end of each reporting period. No impairment losses were recognised for right-of-use assets during the Track Record Period.

The Group regularly entered into short-term leases for buildings. As at December 31, 2020, 2021 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Lease liabilities

The carrying amounts of the Group’s lease liabilities and the movements during the Track Record Period are as follows:

	Year ended December 31,		
	2020	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Carrying amount at the beginning of the year	59,481	94,608	291,751
New leases	98,812	350,106	229,420
Accretion of interest recognised	8,320	21,895	37,234
Payments	(69,639)	(169,045)	(269,109)
Termination of lease contract	(2,366)	(5,813)	–
	<u>94,608</u>	<u>291,751</u>	<u>289,296</u>
Carrying amount at the end of the year	94,608	291,751	289,296
Analysed as:			
Non-current	47,457	124,557	103,362
Current	47,151	167,194	185,934
	<u>94,608</u>	<u>291,751</u>	<u>289,296</u>

	As at December 31,		
	2020	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Present value of lease liabilities			
– within one year	47,151	167,194	185,934
– Within a period of more than one year but not exceeding two years	39,870	104,434	71,354
– Within a period of more than two years but not exceeding five years	7,587	20,123	28,222
– Within a period of more than five years but not exceeding ten years	–	–	3,786
	<u>94,608</u>	<u>291,751</u>	<u>289,296</u>
Total	94,608	291,751	289,296

The lease liabilities were measured at the present value of the lease payments that are not yet paid using incremental borrowing rates. The following table shows the incremental borrowing rates applied to lease liabilities:

	As at December 31,		
	2020	2021	2022
	<i>%</i>	<i>%</i>	<i>%</i>
Incremental borrowing rates	<u>5.5-13.2</u>	<u>5.5-13.2</u>	<u>4.07-13.4</u>

All leases are entered at fixed rates.

As at December 31, 2020, 2021 and 2022, lease obligations were denominated in RMB.

APPENDIX I

ACCOUNTANTS' REPORT

17. INVENTORIES

Inventories consist of the following:

	As at December 31,		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Raw material	2,436	14	11
Used rental computer devices held for sale	2,030	3,874	3,918
Total	<u>4,466</u>	<u>3,888</u>	<u>3,929</u>

18A. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group

	As at December 31,		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
(a) Trade receivables			
Trade receivables – Pay-as-you-go office IT integrated solution revenue recognised as lease income under IFRS 16	97,145	151,734	188,748
Trade receivables – contracts with customers	126,502	138,259	133,638
Less: allowance for credit losses	<u>(81,120)</u>	<u>(111,500)</u>	<u>(159,568)</u>
Subtotal	<u>142,527</u>	<u>178,493</u>	<u>162,818</u>
Analysed as:			
Current assets	63,775	115,294	115,024
Non-current assets	<u>78,752</u>	<u>63,199</u>	<u>47,794</u>
(b) Other receivables and prepayments			
Staff advances	576	844	552
Advance to suppliers	11,492	20,772	21,677
Recoverable VAT	31,387	21,026	13,960
Prepayments for [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Deferred [REDACTED] costs	[REDACTED]	[REDACTED]	[REDACTED]
Rental and other deposits	52,118	168,956	228,182
Others	4,420	2,728	3,975
Less: allowance for credit losses	<u>(75)</u>	<u>(226)</u>	<u>(273)</u>
Subtotal	<u>99,918</u>	<u>218,407</u>	<u>271,742</u>
Analysed as:			
Current assets	47,800	44,329	99,094
Non-current assets	<u>52,118</u>	<u>174,078</u>	<u>172,648</u>
Analysed as:			
Total current portion	<u>111,575</u>	<u>159,623</u>	<u>214,118</u>
Total non-current portion	<u>130,870</u>	<u>237,277</u>	<u>220,442</u>

As at January 1, 2020, trade receivables from contracts with customers amounted to RMB85,933,000.

APPENDIX I

ACCOUNTANTS’ REPORT

The following is an aged analysis of trade receivables, net of impairment losses under ECL model, presented based on the date of billing issued to customers at the end of each reporting period.

	As at December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Within 30 days	128,129	167,702	149,959
31 to 60 days	10,013	6,516	3,529
61 to 90 days	1,804	1,489	1,932
91 to 180 days	1,356	1,532	2,962
181 to 270 days	622	814	1,263
271 to 360 days	116	362	1,216
Over 360 days	487	78	1,957
	<u>142,527</u>	<u>178,493</u>	<u>162,818</u>

The Group granted a credit period up to 5 days after the issuance of billing to customers.

As at December 31, 2020, 2021 and 2022, included in the Group’s trade receivables balance before impairment losses under ECL model are debtors with aggregate carrying amount of RMB94,890,000, RMB120,309,000 and RMB164,544,000, respectively, which are past due 30 days and considered as default.

Details of impairment assessment of trade receivables and other receivables are set out in Note 31.

The Company

	As at December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Prepayments for [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Deferred [REDACTED] costs	[REDACTED]	[REDACTED]	[REDACTED]
Others	–	–	38
Total	<u>–</u>	<u>4,307</u>	<u>3,707</u>

18B. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Bills receivable	<u>–</u>	<u>34,850</u>	<u>–</u>

As at December 31, 2020, 2021 and 2022, commercial acceptance bills amounting to nil, RMB34,850,000 and nil of the Group were transferred to banks by discounting on a full recourse basis. As the Group has not transferred the significant risks and rewards, it continues to recognise the full carrying amount and has recognised the cash received on the transfer as a collateralised borrowing (see Note 25).

As at December 31, 2020, 2021 and 2022, bank acceptance bills amounting to nil, RMB15,000,000 and nil of the Group were transferred to banks by discounting on a full recourse basis. In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to those bills receivable. Accordingly, it has derecognised the full carrying amounts of the bills receivable. The maximum exposure to loss from the Group’s continuing involvement in the derecognised bills receivable and the undiscounted cash flows to repurchase these derecognised bills receivable equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s continuing involvement in the derecognised bills receivable are not significant.

APPENDIX I

ACCOUNTANTS' REPORT

19A. AMOUNTS DUE FROM SHAREHOLDERS

The Group

The amounts are non-trade in nature, unsecured, interest-free, and repayable on demand and the shareholders are also the directors of the Company. In the opinion of the directors of the Company, the amounts due from shareholders will be settled before the [REDACTED] of the Company on the Stock Exchange.

	As at December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due from shareholders	5	41	41

As at January 1, 2020, amounts due from shareholders amounted to RMB8,089,000.

The amounts due from shareholders of the Group are denominated in USD.

	Maximum amount outstanding during the year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due from shareholders	8,094	41	41

The Company

	As at December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due from shareholders	5	2,968	41

As at January 1, 2020, amounts due from shareholders amounted to RMB2,156,000.

Included in the balances of amounts due from shareholders, amounts due from directors as at December 31, 2020, 2021 and 2022 are RMB5,000, RMB41,000 and RMB41,000, respectively.

	Maximum amount outstanding during the year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due from directors	2,161	41	41

The amounts due from shareholders of the Company are denominated in USD.

APPENDIX I

ACCOUNTANTS' REPORT

19B. AMOUNTS DUE FROM PREFERRED SHAREHOLDERS

The amounts are non-trade in nature, unsecured, interest-free, and repayable on demand.

The Company

	As at December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due from preferred shareholders	—	549,734	—

Included in the balances of amounts due from preferred shareholders as at December 31, 2020, 2021 and 2022, nil, RMB369,886,000 and nil are denominated in USD.

19C. AMOUNTS DUE FROM SUBSIDIARIES

The amounts are non-trade in nature, unsecured, interest-free, and repayable on demand.

The Company

	As at December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due from subsidiaries	91,711	—	—

The amounts due from subsidiaries of the Company are denominated in USD.

19D. AMOUNTS DUE TO PREFERRED SHAREHOLDERS

The amounts are non-trade in nature, unsecured, interest-free, and repayable on demand.

The Group

	As at December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due to preferred shareholders	159,675	—	—

Included in the balances of amounts due to preferred shareholders as at December 31, 2020, 2021 and 2022, RMB134,003,000, nil and nil are denominated in USD.

The Company

	As at December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due to preferred shareholders	134,003	—	—

The amounts due to preferred shareholders of the Company are denominated in USD.

APPENDIX I

ACCOUNTANTS' REPORT

19E. AMOUNTS DUE TO SUBSIDIARIES

The amounts are non-trade in nature, unsecured, interest-free, and repayable on demand.

The Company

	As at December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Amounts due to subsidiaries	—	603,858	669,645

Included in the balances of amounts due to subsidiaries as at December 31, 2020, 2021 and 2022, nil, RMB593,548,000 and RMB648,035,000 are denominated in USD.

19F. AMOUNTS DUE TO SHAREHOLDERS

The amounts are non-trade in nature, unsecured, interest-free, and repayable on demand. [In the opinion of the directors of the Company, the amounts due to shareholders will be settled before the [REDACTED] of the Company on the Stock Exchange.]

The Group

	As at December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Amounts due to shareholders	—	1,779	1,841

20. STRUCTURED DEPOSITS

As at December 31, 2020 and 2021, the structured deposits were issued by a bank in the PRC with expected rates of return (not guaranteed) which is linked to the fluctuation of Euro exchange rate against USD. The structured deposits were classified as financial assets at FVTPL as their contractual cash flows are not solely payments of principal and interest. The expected rates of return of these structured deposits at the end of each reporting period are set out as below:

	As at December 31,		
	2020	2021	2022
Structured deposits	1.3%-2.9%	1.1%-2.9%	—

21. CASH AND CASH EQUIVALENTS

The Group

	As at December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Cash and bank balances	665,120	542,568	467,945
Time deposits	60,246	—	37,858
Total	<u>725,366</u>	<u>542,568</u>	<u>505,803</u>

APPENDIX I

ACCOUNTANTS' REPORT

The Group's cash and cash equivalents that are denominated in currencies other than functional currency of the relevant group entities are set out as below:

	As at December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
HKD	6,865	–	51
USD	643,709	231,368	52,549
	<u> </u>	<u> </u>	<u> </u>
Total	<u>650,574</u>	<u>231,368</u>	<u>52,600</u>

Bank balances

Bank balances carry interest at market rates which range from 0.001% to 3.70% per annum as at December 31, 2020, 2021 and 2022.

Time deposits

The Group's time deposits were issued by banks with original maturities within three months. The interest rates of the time deposits range from 0.35% to 0.55% per annum as at December 31, 2020 and at 4.75% per annum as at December 31, 2022.

The Company

	As at December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Cash and bank balances	368,005	87,417	15,933
Time deposits	–	–	27,858
	<u> </u>	<u> </u>	<u> </u>
Total	<u>368,005</u>	<u>87,417</u>	<u>43,791</u>

The Company's cash and cash equivalents that are denominated in currencies other than functional currency of the Company are set out below:

	As at December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
HKD	–	–	51
USD	368,005	87,417	43,740
	<u> </u>	<u> </u>	<u> </u>
Total	<u>368,005</u>	<u>87,417</u>	<u>43,791</u>

Details of impairment assessment of the Group's and the Company's bank balances and time deposits are set out in Note 31.

APPENDIX I

ACCOUNTANTS’ REPORT

22. PLEDGED BANK DEPOSITS AND TIME DEPOSITS

The Group

Pledged bank deposits and time deposits carry fixed interest rate of 0.35%-3.4% per annum and represent deposits pledged to banks to secure banking facilities granted to the Group and time deposits with original maturity over three months. Bank deposits amounting to RMB73,808,000, RMB35,439,000 and RMB48,376,000 as at December 31, 2020, 2021 and 2022, respectively, have been pledged to secure short-term bank borrowings and are therefore classified as current assets. Bank deposits amounting to RMB81,681,000, RMB33,000,000 and RMB10,504,000 as at December 31, 2020, 2021 and 2022, respectively, have been pledged to secure long-term bank borrowings and are therefore classified as non-current assets. As at December 31, 2022, time deposits with original maturity over three months amounting to RMB6,000,000, RMB20,000,000 and RMB15,000,000 will mature in September 2023, August 2025 and July 2027, respectively.

The Company

Pledged bank deposits carry fixed interest rate of 2.95% per annum and represent deposits pledged to banks to secure banking facilities granted to subsidiaries of the Group. Bank deposits amounting to RMB47,632,000, nil and nil as at December 31, 2020, 2021 and 2022, respectively, have been pledged to secure a short-term bank borrowing and are therefore classified as current assets.

23. TRADE AND OTHER PAYABLES

The Group

	As at December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Trade payables	53,789	63,796	103,709
Salary and welfare payables	26,935	36,390	40,295
Other tax payables	4,578	22,569	17,230
Accrued expenses	9,173	23,156	19,858
Other payables	–	7,522	–
Accrued [REDACTED] expenses and [REDACTED] costs	[REDACTED]	[REDACTED]	[REDACTED]
Others	106	976	949
Total	<u>94,581</u>	<u>163,682</u>	<u>188,563</u>

The following is an aged analysis on trade payables of the Group presented based on the invoice date:

	As at December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Within 12 months	48,144	56,394	95,741
1 to 2 years	2,907	1,813	1,101
2 to 3 years	2,631	2,862	1,289
Over 3 years	107	2,727	5,578
Total	<u>53,789</u>	<u>63,796</u>	<u>103,709</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Accrued [REDACTED] expenses and [REDACTED] costs	[REDACTED]	[REDACTED]	[REDACTED]

The Group’s and the Company’s accrued [REDACTED] expenses and [REDACTED] costs that are denominated in currencies other than functional currency of the Company is set out below:

	As at December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
HKD	–	401	–
USD	–	2,362	5,853
Total	–	2,763	5,853

24. FINANCIAL LIABILITIES AT FVTPL

The Group

The Group entered into share subscription agreements with independent investors and issued eight series (the “Series A-Angel”, “Series A-1”, “Series A-2”, “Series A-3”, “Series B”, “Series C”, “Series D”, “Series E”, respectively) of Preferred Shares, warrants and convertible bonds from year 2015 to 2021, fair values of which at the end of each reporting period are as follows:

	As at December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Preferred Shares			
– Series A-Angel	75,094	104,221	160,154
– Series A-1	130,022	178,030	268,977
– Series A-2	131,537	179,257	269,409
– Series A-3	138,214	220,540	330,918
– Series B	236,607	333,013	471,496
– Series C	313,492	391,295	519,851
– Series D	466,398	495,085	553,090
– Series E	–	380,747	410,463
Warrants	25,517	–	–
Convertible bonds	340,577	–	–
Total	1,857,458	2,282,188	2,984,358

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Preferred Shares			
– Series A-Angel	75,094	104,221	160,154
– Series A-1	130,022	178,030	268,977
– Series A-2	131,537	179,257	269,409
– Series A-3	138,214	220,540	330,918
– Series B	236,607	333,013	471,496
– Series C	313,492	391,295	519,851
– Series D	466,398	495,085	553,090
– Series E	–	380,747	410,463
Warrants	2,056	–	–
Convertible bonds	287,939	–	–
	<u>1,781,359</u>	<u>2,282,188</u>	<u>2,984,358</u>
Total	<u>1,781,359</u>	<u>2,282,188</u>	<u>2,984,358</u>

Preferred Shares

In 2015, Beijing Ediantao entered into a share subscription agreement with a third-party investor, a Series A-Angel share investor of Beijing Ediantao and pursuant to which, Beijing Ediantao issued 176,471 ordinary shares with preferred rights with total consideration of RMB6,000,000. The ordinary shares with preferred rights were issued and fully paid in 2015.

In February 2016, the Company entered into a share subscription agreement with third-party investors, Series A-1 preferred shares investors of the Company and pursuant to which, the Company issued 4,000,000 convertible preferred shares with total consideration of USD4,550,000 (“Series A-1 Preferred Shares”). The convertible preferred shares were issued and fully paid in March 2016.

In September 2016, the Company entered into a share subscription agreement with third-party investors, Series A-2 preferred shares investors of the Company and pursuant to which, the Company issued 4,000,000 convertible preferred shares with total consideration of USD5,000,000 (“Series A-2 Preferred Shares”). The convertible preferred shares were issued and fully paid in September 2016.

In November 2016, Beijing Ediantao entered into a share subscription agreement with third-party investors, Series A-3 share investors of Beijing Ediantao and pursuant to which, Beijing Ediantao issued 206,265 ordinary shares with preferred rights with total consideration of RMB34,986,000. The ordinary shares with preferred rights were issued and fully paid in November 2016. In November 2016, the Company entered into a share subscription agreement with offshore investment vehicles of the above Series A-Angel share investor and Series A-3 share investors and pursuant to which, the Company issued 2,400,000 and 4,207,805 convertible preferred shares at the nominal value to the offshore investment vehicle of the above Series A-Angel share investor (“Series A-Angel Preferred Shares”) and offshore investment vehicles of Series A-3 share investors (“Series A-3 Preferred Shares”), respectively, to mirror their ultimate beneficial interests in the Group through ordinary shares with preferred rights held by them in Beijing Ediantao.

In August 2017, Beijing Ediantao entered into a share subscription agreement with third-party investors, Series B share investors of Beijing Ediantao, pursuant to which, Beijing Ediantao issued 136,007 ordinary shares with preferred rights with total consideration of RMB60,000,000. The ordinary shares with preferred rights were issued and fully paid in September 2017. In August 2017, the Company entered into a share subscription agreement with third-party investors and the offshore investment vehicles of Series B share investors, and pursuant to which, the Company issued 3,239,714 convertible preferred shares with total consideration of USD9,000,000 to the third-party investors, and 3,239,714 convertible preferred shares at the nominal value to the offshore investment vehicles of Series B share investors to mirror their ultimate beneficial interests in the Group through ordinary shares with preferred rights held by them in Beijing Ediantao (“Series B Preferred Shares”), respectively. The convertible preferred shares were issued and fully paid in September 2017.

APPENDIX I

ACCOUNTANTS’ REPORT

In February 2018, Beijing Ediantao entered into a share subscription agreement with third-party investors, Series C share investors of Beijing Ediantao and pursuant to which, Beijing Ediantao issued 40,608 ordinary shares with preferred rights with total consideration of RMB32,460,000. The ordinary shares with preferred rights were issued and fully paid in March 2018. In February 2018, the Company entered into a share subscription agreement with third-party investors and offshore investment vehicles of Series C share investors, and pursuant to which, the Company issued 6,103,818 convertible preferred shares with total consideration of USD27,000,000 to third-party investors, and 1,130,336 convertible preferred shares at nominal value to the offshore investment vehicles of Series C share investors to mirror their ultimate beneficial interests in the Group through ordinary shares with preferred rights held by them in Beijing Ediantao (“Series C Preferred Shares”), respectively. The convertible preferred shares were issued and fully paid in March 2018.

In September 2018, the Company entered into a share subscription agreement with third-party investors, Series D preferred shares investors of the Company and pursuant to which, the Company issued 7,294,441 convertible preferred shares with total consideration of USD60,500,000 (“Series D Preferred Shares”). The convertible preferred shares were issued and fully paid in September 2018.

In March 2021, the Company repurchased the convertible preferred shares held by the Pre-[REDACTED] Investors at original issue price and Beijing Ediantao issued ordinary shares with preferred rights to the onshore investment vehicles of the Pre-[REDACTED] Investors at the same amounts. In substance, the Company and the Pre-[REDACTED] Investors entered into a swap to exchange the convertible preferred shares issued by the Company with ordinary shares with preferred rights issued by Beijing Ediantao to mirror the Pre-[REDACTED] Investors’ respective then shareholdings at the Company level.

On October 12, 2021, the Company and the Pre-[REDACTED] Investors entered into the offshore shares purchase agreement, pursuant to which the Company issued, and the Pre-[REDACTED] Investors, through their respective offshore investment vehicles, subscribed for the shares in the Company to substantially reflect their respective rights, obligations and shareholdings in Beijing Ediantao held by their onshore investment vehicles.

The key terms of the convertible preferred shares and ordinary shares with preferred rights (collectively the “Preferred Shares”) are set as below:

Conversion rights

Each holder of the series of convertible preferred shares shall have the right, at such holder’s sole discretion, to convert all or any portion of the convertible preferred shares into ordinary shares at any time by the conversion price then in effect at the date of the conversion (the “Conversion Price”). The initial Conversion Price for the convertible preferred shares will be the applicable convertible preferred shares issue price (i.e., a 1-to-1 initial conversion ratio).

Each series of convertible preferred shares shall automatically be converted into ordinary shares, at the then applicable convertible preferred shares Conversion Price upon the closing of a qualified [REDACTED].

Voting rights

The holder of each series of convertible preferred shares shall be entitled to the number of votes equal to the number of ordinary shares into which such series of convertible preferred shares could be converted at the record date for determination of the registered holder from time to time of the shares in the paid-in capital of the Company (“Members”) entitled to vote on such matters, or, if no such record date is established, at the date such vote is taken or any written consent of Members is solicited, such votes to be counted together with all other shares of the Company having general voting power and not counted separately as a class.

Dividend rights

Each holder of series of convertible preferred shares shall be entitled to receive, prior and in preference to other shareholders of the Company, at the amount distributed among all the issued and outstanding shares pro rata based on the number of ordinary shares held by each holder of convertible preferred shares as-if-converted basis.

APPENDIX I

ACCOUNTANTS' REPORT

Liquidation preferences

Upon any liquidation, dissolution or winding up of the Company and/or any subsidiaries of the Company, either voluntary or involuntary (each a "Liquidation Event"), each holder of Preferred Shares shall be entitled to receive, on parity with each other, an amount equal to one hundred percent (100%) of the series Preferred Shares' original issue price (in each case as adjusted for any share splits, share dividends, combinations, recapitalisations and similar transactions), plus all dividends declared and unpaid with respect thereto per share, then held by such holder. If, upon any liquidation, dissolution, or winding up, the assets of the Company shall be insufficient to make payment of the foregoing amounts in full on the series of Preferred Shares, then such assets shall be distributed among the holders of the series of preferred shareholders ratably in proportion to the full amounts to which they would otherwise be respectively entitled thereon.

Distributions to the Members of the Company shall be made in the following order: (i) Series E Preferred Shares (as defined below); (ii) Series D Preferred Shares; (iii) Series C Preferred Shares; (iv) Series B Preferred Shares; (v) Series A-3 Preferred Shares and Series A-2 Preferred Shares; (vi) Series A-1 Preferred Shares; (vii) Series A-Angel Preferred Shares.

After distribution or payment in full of the amount distributable or payable on the above series of Preferred Shares, the remaining assets (if any) of the Company available for distribution to Members shall be distributed ratably among the holders of outstanding ordinary shares and the holders of outstanding Preferred Shares in proportion to the number of outstanding ordinary shares held by them (with outstanding convertible preferred shares treated on an as-if-converted basis).

If any holder of Preferred Shares fails to receive the amounts set forth in above in full for whatever reason, each holder of ordinary shares (excluding the ordinary shares converted from the convertible preferred shares) shall severally and jointly transfer all of the assets or cash it received from the Company in such Liquidation Event or deemed Liquidation Event (as defined in the share subscription agreements) until all the amount set forth in above have been fully paid to such holder of Preferred Shares.

Redemption feature

Redemption of Series A-Angel Preferred Shares

At any time on or after fifth (5th) anniversary at the Series D Preferred Shares original issue date, each Series A-Angel Preferred Shares shall be redeemable at the option of each holder of the Series A-Angel Preferred Shares, out of funds legally available therefor in accordance with the following terms.

The redemption price of each Series A-Angel Preferred Shares shall be, with respect to the holders of Series A-Angel Preferred Shares, one hundred percent (100%) of the Series A-Angel original issue price (adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions), plus an amount that would accrue on the Series A-Angel original issue price at a simple interest rate of twelve percent (12%) per annum, during the period commencing from the date of issuance of such Series A-Angel Preferred Shares and ending on the date when any amounts due and payable in respect of such Series A-Angel Preferred Shares shall be paid in full.

Redemption of Series A-1 Preferred Shares

At any time after the earlier of (a) the occurrence of a material breach by the Company or the subsidiaries of the Company or any of the shareholders of the Company Ji Peng Cheng and Zhang Bin and the shareholders of the Company which wholly owned by Ji Peng Cheng and Zhang Bin of any of their respective representations, warranties, covenants or undertakings under the series preferred shares purchase agreements and such breach, if curable, has not been cured within twenty (20) Business Days, (b) the date on which there occurs a material breach of the Series D Preferred Shares purchase agreement and such breach, if curable, has not been cured within twenty (20) Business Days, (c) any material adverse change in the regulatory environment, under which circumstance the Series D have become or will become invalid, illegal or unenforceable, (d) the failure by the Company to complete a Trade Sale or a qualified [REDACTED] within the fifth (5th) anniversary of the Series D original issue date, or (e) the date that any holder of preferred shares is entitled to exercise its redemption right and a redemption request has been delivered to the Company by such holder of preferred shares, each Series A-1 Preferred Shares shall be redeemable at the option of each holder of the Series A-1 Preferred Shares out of funds legally available therefor.

APPENDIX I

ACCOUNTANTS' REPORT

Trade Sale shall mean the following events: (i) the acquisition of the Company or the subsidiaries of the Company (whether by a sale of equity, merger or consolidation) in which in excess of 50% of the Company or the subsidiaries of the Company's voting power outstanding before such transaction is transferred; (ii) the sale, transfer or other disposition of all or substantially all the assets, or intellectual property of the Company or the subsidiaries of the Company; or (iii) the exclusive licensing of all or substantially all of the Company or subsidiaries of the Company's proprietary rights.

The redemption price of each Series A-1 Preferred Shares (the "Series A-1 Redemption Price") shall be the amount equal to:

$SAIP \times (1.10)^N$, where SAIP = the Series A-1 Preferred Shares original issue price (as adjusted for share splits, share dividends, combinations, recapitalisations and similar events with respect to such shares); and N = a fraction the numerator of which is the number of calendar days commencing from the date of issuance of such Series A-1 Preferred Shares ending on the date when any amounts due and payable in respect of such Series A-1 Preferred Shares shall be paid in full and the denominator of which is 365, plus all declared but unpaid dividends with respect thereto per Series A-1 Preferred Shares up to the actual payment date of the Series A-1 Redemption Price, proportionally adjusted for share subdivisions, share dividends, reorganisations, reclassifications, consolidations or mergers.

Redemption of Series A-2 Preferred Shares

The redemption features of Series A-2 Preferred Shares are the same with Series A-1 Preferred Shares.

Redemption of Series A-3 Preferred Shares

At any time after the earlier of (a) the failure by the Company to complete a Trade Sale or a qualified [REDACTED] within the fifth (5th) anniversary of the Series D original issue date, (b) the shareholder of the Company Ji Peng Cheng or Zhang Bin participates in any business in competition with the Company or the subsidiaries of the Company or be in violation of the undertakings or non-competition, and such breach has not been cured within thirty (30) Business Days after the written notice by the Series A-3 Preferred Shares investor (c) the occurrence of the event that any shareholder of the Company Ji Peng Cheng or Zhang Bin, key employees or the senior management prejudices the interest of the Company or the subsidiaries of the Company, and such breach has not been cured within thirty (30) Business Days after the written notice by Series A-3 Preferred Shares investor; (d) the occurrence of any material ethics and integrity issue to the shareholder of the Company Ji Peng Cheng or Zhang Bin causing any disruption to the operation of the Company or the subsidiaries of the Company for twenty (20) Business Days and such breach, if curable, has not been cured within thirty (30) Business Days; (e) the failure of the Company or the subsidiaries of the Company to undertake any business operation in an ordinary manner lasting for twenty (20) Business Days resulting from the deadlock due to the reason of Ji Peng Cheng or Zhang Bin and such breach, if curable, has not been cured within thirty (30) Business Days; (f) the occurrence of a material breach by the Company or the subsidiaries of the Company or Ji Peng Cheng or Zhang Bin and the Company which wholly owned by Ji Peng Cheng and Zhang Bin of any of their respective representations, warranties, covenants or undertakings under the series preferred shares purchase agreements and such breach, if curable, has not been cured within thirty (30) Business Days, (g) the date on which there occurs a material breach of the Series D Preferred Shares purchase agreement and such breach, if curable, has not been cured within twenty (20) Business Days, (h) any material adverse change in the regulatory environment, under which circumstance the Series D have become or will become invalid, illegal or unenforceable, or (i) the date that any holder of preferred shares is entitled to exercise its redemption right and a redemption request has been delivered to the Company by such holder of preferred shares, each Series A-3 Preferred Shares shall be redeemable at the option of each holder of the Series A-3 Preferred Shares out of funds legally available therefor.

The redemption price of each Series A-3 Preferred Shares shall be, with respect to the holders of Series A-3 Preferred Shares, one hundred percent (100%) of the Series A-3 original issue price (adjusted for any share splits, share dividends, combinations, recapitalisations and similar transactions), plus an amount that would accrue on the Series A-3 Preferred Shares original issue price at a simple interest rate of twelve percent (12%) per annum, during the period commencing from the date of issuance of such Series A-3 Preferred Shares and ending on the date when any amounts due and payable in respect of such Series A-3 Preferred Shares shall be paid in full, plus all declared but unpaid dividends with respect thereto per Series A-3 Preferred Share up to the actual payment date of the Series A-3 redemption price, proportionally adjusted for share subdivisions, share dividends, reorganisations, reclassifications, consolidations or mergers.

Redemption of Series B Preferred Shares

The redemption features of Series B Preferred Shares are the same with Series A-3 Preferred Shares.

APPENDIX I

ACCOUNTANTS’ REPORT

Redemption of Series C Preferred Shares

The redemption trigger events of Series C Preferred Shares are the same with Series A-3 Preferred Shares and Series B Preferred Shares. And the calculation method of redemption price of each Series C Preferred Share is the same with Series A-1 Preferred Shares and Series A-2 Preferred Shares.

Redemption of Series D Preferred Shares

In addition to the redemption trigger events of Series C Preferred Shares, there are two additional clause to trigger the redemption of Series D Preferred Shares, the lack of finance lease qualification or necessary permit, license, filing or registration related to the assembling or manufacturing computer by the Company or subsidiaries of the Company (no matter with or without the brand owned by the Company or subsidiaries of the Company, including but not limited to China compulsory certification or other registration and filing concerning the workshop or the production conduct of the Company or subsidiaries of the Company (if applicable)), which results in material adverse effect on the Company or subsidiaries of the Company or the Series D Preferred Shares investors, or the infringement of copyrights by the Company or subsidiaries of the Company due to the computers (no matter the new computers or the second-hand computers), which results in material adverse effect on the Company or subsidiaries of the Company or the Series D Preferred Shares investors.

The calculation method of redemption price of each Series D Preferred Shares is the same with Series A-1 Preferred Shares, Series A-2 Preferred Shares and Series C Preferred Shares.

Redemption of Series E Preferred Shares

The redemption features of Series E Preferred Shares are the same with Series D Preferred Shares.

On October 12, 2021, the Company entered into an agreement with the shareholders of the Company, pursuant to which the redemption rights in convertible preferred shares will cease to be exercisable commencing from the first submission of the [REDACTED] to the Stock Exchange and until the earlier of the Company fails to complete its [REDACTED] on the Main Board of the Stock Exchange before September 13, 2023, or the [REDACTED] is withdrawn or rejected. The other preferred rights will be automatically terminated immediately prior to the [REDACTED] of the Company.

On December 29, 2022, agreed by all preferred shareholders, the Company updated its memorandum and articles of association, pursuant to which the redemption rights of convertible preferred shares will cease to be exercisable commencing from the first submission of the [REDACTED] to the Stock Exchange and until the earlier of the Company fails to complete its [REDACTED] on the Main Board of the Stock Exchange before March 13, 2024, or the [REDACTED] is withdrawn or rejected. The memorandum and articles of association have been approved by all shareholders with a special shareholders’ resolution on December 29, 2022.

Warrants

Prior to the Track Record Period, the Group issued warrants to third party investors to subscribe for certain convertible preferred shares of the Company or ordinary shares with preferred rights of Beijing Ediantao at agreed consideration.

In March 2021, the holders of warrants exercised the purchase option and paid the total consideration of RMB29,000,000 to subscribe certain ordinary shares with preferred rights of Beijing Ediantao.

Convertible bonds

In August 2020, the Company and Beijing Ediantao issued convertible bonds with principal amount of USD43,463,000 and RMB54,328,000, respectively, to third party investors. The convertible bonds can be converted into relevant paid-in capital of Beijing Ediantao with the pre-money valuation of USD530,000,000 at any time, and if the reorganisation has not been completed until April 30, 2021, the holders have the rights to convert the convertible bonds into 2,368,455 ordinary shares with preferred rights of Beijing Ediantao or request redemption with principal plus compound interest rate of 8% per annum.

In March 2021, the holders of the convertible bonds exercised the conversion right to convert into 2,368,455 ordinary shares with preferred rights of Beijing Ediantao (“Series E Preferred Shares”).

APPENDIX I

ACCOUNTANTS' REPORT

Presentation and Classification

Preferred Shares are denominated in USD for convertible preferred shares or ordinary shares issued with preferred rights; the convertible bonds contain two components, debt component and derivative (including conversion options) component. The Group does not bifurcate any embedded derivatives from the host instruments and designated the entire instruments as financial liabilities at FVTPL with the changes in the fair value recognised in profit or loss. The directors of the Company considered that the changes in the fair value of Preferred Shares and convertible bonds attributable to the change in credit risk of the Group is minimal.

The warrants issued by the Group are derivatives and classified as financial liabilities at FVTPL with carrying amounts of RMB25,517,000, nil and nil as at December 31, 2020, 2021 and 2022, respectively. The fair value loss on such derivative financial instruments amounting to RMB272,000, nil and nil were recognised in profit or loss during the years ended December 31, 2020, 2021 and 2022, respectively.

Preferred Shares, warrants and convertible bonds were valued by the directors of the Company with reference to valuation reports carried out by an independent qualified professional valuer.

The Company used the discounted cash flow model to determine the underlying equity value of the Company and performed an equity allocation based on Black-Scholes option pricing model to arrive the fair value of Preferred Shares, warrants and convertible bonds.

In addition to the underlying equity value of the Company determined by discounted cash flow method, other key valuation assumptions used in Black-Scholes option pricing model to determine the fair value are as follows:

Preferred Shares

	As at December 31,		
	2020	2021	2022
Risk-free interest rate	0.15%	0.63%	4.67%
Expected volatility	55.37%	37.70%	42.07%
Possibilities under liquidation scenario	30.00%	25.00%	10.00%
Possibilities under redemption scenario	30.00%	25.00%	10.00%
Possibilities under [REDACTED] scenario	40.00%	50.00%	80.00%
Discount rate	14.50%	14.00%	13.50%
Discount for lack of marketability ("DLOM")	15.50%	6.00%	5.00%

Warrants

	As at December 31,		
	2020	2021	2022
Risk-free interest rate	2.63%	N/A	N/A
Expected volatility	42.24%	N/A	N/A
Discount rate	14.5%	N/A	N/A
DLOM	15.50%	N/A	N/A

APPENDIX I

ACCOUNTANTS’ REPORT

Convertible bonds

	As at December 31,		
	2020	2021	2022
Risk-free interest rate	0.15%	N/A	N/A
Expected volatility	55.37%	N/A	N/A
Possibilities under liquidation scenario	60.00%	N/A	N/A
Possibilities under [REDACTED] scenario	40.00%	N/A	N/A
Discount rate	14.5%	N/A	N/A
DLOM	15.50%	N/A	N/A

Movement of financial liabilities at FVTPL during the Track Record Period is set out in Note 31.4.

The directors of the Company estimated the risk-free interest rate by reference to the yield of United States treasury bonds or Chinese treasury bonds, as appropriate with a maturity life close to the expected terms. Volatility was estimated on each valuation date based on average of historical volatilities of the comparable companies in the same industry with tenure commensurate with the expected time to exit for each scenario. Discount rate was estimated by weighted average cost of capital as at each valuation date. The DLOM was estimated based on the option-pricing method.

25. BORROWINGS

	As at December 31,		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Bank borrowings	586,163	638,328	585,372
Bank borrowings relating to bills discounted with recourse	–	34,850	–
Borrowings from other financial institutions	654,701	932,152	807,931
Total	1,240,864	1,605,330	1,393,303
Secured (<i>Note i</i>)	1,202,266	1,605,330	1,393,303
Unsecured	38,598	–	–

	As at December 31,		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
The carrying amounts of the above borrowings are repayable (<i>Note ii</i>)			
– On demand or within one year	894,785	1,221,780	1,072,717
– Within a period of more than one year but not exceeding two years	315,739	363,724	265,078
– Within a period of more than two years but not exceeding five years	30,340	19,826	55,508
	1,240,864	1,605,330	1,393,303
Less: Amounts shown under current liabilities	894,785	1,221,780	1,072,717
Amounts shown under non-current liabilities	346,079	383,550	320,586

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- i. Included in the secured borrowings, RMB1,162,379,000, RMB1,408,127,000 and RMB1,369,254,000 were guaranteed by two directors of the Company, Ji Peng Cheng and Zhang Bin as at December 31, 2020, 2021 and 2022, respectively. In the opinion of the directors of the Company, the guarantee provided by Ji Peng Cheng and Zhang Bin will not be released before the [REDACTED] of the Company on the Stock Exchange.
- ii. The amounts due are based on terms set out in the loan agreements.

The exposures of the Group’s borrowings are as follows:

	As at December 31,		
	2020	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Fixed-rate borrowings	1,240,864	1,605,330	1,393,303

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group’s borrowings are as follows:

	As at December 31,		
	2020	2021	2022
Effective interest rates:			
Fixed-rate borrowings	3.65%-12.00%	3.65%-12.60%	3.35%-12.10%

26. BOND PAYABLE

	As at December 31,		
	2020	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Bond payable	–	26,138	11,040
Analysed as:			
Non-current	–	11,250	–
Current	–	14,888	11,040
Total	–	26,138	11,040

On August 9, 2021, Evergrowing Bank Co., Ltd, agreed to subscribe the bond issued by Beijing Ediantao in the aggregate principal amount of RMB30,000,000. The bond bears fixed interest rate of 5.50% per annum and is repaid in installments. The effective interest rate of the bond is 6.50% per annum. The bond is guaranteed by a third-party, Beijing Zhongguancun Sci-tech Financing Guaranty Co., Ltd.

APPENDIX I

ACCOUNTANTS’ REPORT

27. PAID-IN CAPITAL/SHARE CAPITAL

For the purpose of this report, the paid-in capital as at January 1, 2020 and December 31, 2020 represented the paid-in capital of Beijing Ediantao at the respective dates.

	As at December 31, 2020 RMB’000
Paid-in capital	667

The share capital as at December 31, 2021 and 2022 represented the share capital of the Company following the completion of the Reorganisation with details as follows:

	Number of Shares	Amount USD	Amount RMB’000
Authorised ordinary shares of USD0.0005 each			
At December 31, 2021 and 2022	100,000,000	50,000	319
Issued			
At December 31, 2021 and 2022	13,487,536	6,744	43

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on November 18, 2015. The initial authorised share capital of the Company was USD50,000 divided into 100,000,000 ordinary shares with a par value of USD0.0005 each.

As at January 1, 2020, 11,200,000 ordinary shares were issued and held by Ji Peng Cheng and Zhang Bin. In December 2020, 1,695,464 share options were granted and exercised by Ji Peng Cheng and Zhang Bin (see Note 29) and as such, in aggregate 12,895,464 ordinary shares were issued as at December 31, 2020. In October 2021, 592,072 ordinary shares were issued and allotted to the offshore incentive platforms as part of the Reorganisation as stated in Note 2. Upon completion of the Reorganisation and as at December 31, 2021 and 2022, in aggregate 13,487,536 ordinary shares were issued with a par value of USD0.0005 each, of which 12,895,464 ordinary shares are not fully paid up including 11,200,000 ordinary shares allotted and issued to Ji Peng Cheng and Zhang Bin to reflect their original beneficial shareholding in Beijing Ediantao through capital contribution payable to the Company. The share capital of the Company is USD6,744 (equivalent to approximately RMB43,000) as at December 31, 2021 and 2022.

28. RESERVES

The Company

	Share premium RMB’000	Share-based payments reserve RMB’000	Other reserve RMB’000	Total reserve RMB’000
At January 1, 2020	–	7,950	–	7,950
Recognition of equity-settled share- based payments (<i>Note 29</i>)	–	62,529	–	62,529
Others	–	–	5	5
As at December 31, 2020	–	70,479	5	70,484

APPENDIX I

ACCOUNTANTS’ REPORT

	Share premium <i>RMB’000</i>	Share-based payments reserve <i>RMB’000</i>	Other reserve <i>RMB’000</i>	Total reserve <i>RMB’000</i>
Recognition of equity-settled share-based payments (<i>Note 29</i>)	–	7,739	–	7,739
Issuance of ordinary shares of the Company pursuant to the Reorganisation	3,530	(605)	(5)	2,920
As at December 31, 2021	<u>3,530</u>	<u>77,613</u>	<u>–</u>	<u>81,143</u>
Recognition of equity-settled share-based payments (<i>Note 29</i>)	–	16,509	–	16,509
As at December 31, 2022	<u>3,530</u>	<u>94,122</u>	<u>–</u>	<u>97,652</u>

29. SHARE-BASED PAYMENTS

(a) Details of the employee share option scheme of the Company

The Company established and adopted an employee share option plan in March 2016, and amended the employee share option plan in August 2017 and September 2018, and on February 25, 2022, the Company’s employee share option scheme were defined as Pre-[REDACTED] Option Plan, which was ratified by the shareholders of the Company. Up to a total of 4,554,060 ordinary shares shall be reserved for issuance of share options pursuant to the terms and conditions under the employee share option plan. The Company granted share options to eligible directors and employees of the Company and its subsidiaries since the adoption of the employee share option plan. The share options granted to directors were vested immediately, and the share options granted to eligible employees were scheduled to be vested with a range of 30 days up to four years.

Details and movements for share options granted to employees for the Track Record Period are presented as follows:

	Number of share options	Weighted average exercise price <i>US\$</i>	Weighted average remaining term <i>Year</i>
Outstanding as at January 1, 2020	<u>1,637,199</u>	1.94	1.39
Granted	928,352		
Exercised*	(941,733)		
Forfeited or cancelled	<u>(39,504)</u>		
Outstanding as at December 31, 2020	<u>1,584,314</u>	2.34	1.00

APPENDIX I

ACCOUNTANTS’ REPORT

	Number of share options	Weighted average exercise price US\$	Weighted average remaining term Year
Granted	888,771		
Forfeited or cancelled	(300,894)		
Other*	<u>349,661</u>		
Outstanding as at December 31, 2021	<u>2,521,852</u>	4.35	1.61
Granted	720,412		
Forfeited or cancelled	<u>(423,650)</u>		
Outstanding as at December 31, 2022	<u><u>2,818,614</u></u>	5.45	1.60

* During the year ended December 31, 2020, certain eligible employee exercised the share options granted to them and obtained ordinary shares of Beijing Ediantao. The subscription price with an aggregate amount of RMB10,449,000 were received in January 2021. In October 2021, Beijing Ediantao repurchased such ordinary shares from these eligible employees. As at December 31, 2021, the outstanding shares of the Company to be issued for the options granted to these eligible employees were 349,661 shares.

Included in the outstanding share options as at December 31, 2022, 233,886 and 388,136 share options were granted to Xiang Zheng and Zheng Tao, respectively, who had been appointed as executive directors of the Company since February 25, 2022.

Details and movements for share options granted to directors for the Track Record Period are presented as follows:

	Number of share options	Weighted average exercise price US\$	Weighted average remaining term Year
Outstanding as at January 1, 2020	<u><u>–</u></u>	–	–
Granted	1,695,464		
Exercised	<u>(1,695,464)</u>		
Outstanding as at December 31, 2020, 2021 and 2022	<u><u>–</u></u>	–	–

The number of exercisable share options as at December 31, 2020, 2021 and 2022 was 391,596, 1,059,766 and 1,387,788, respectively.

APPENDIX I

ACCOUNTANTS' REPORT

(b) Fair value of share options granted

The valuation of the share options was performed by an independent qualified professional valuer. Options were priced using a binomial option pricing model. The main inputs used in the model include fair value of the Company's share as at the grant date, exercise price, expected volatility, expected life and risk-free interest rate. The inputs used in the model are as follows:

Grant date	Before the Track Record Period	January 1, 2020 to May 31, 2020	June 1, 2020 to August 31, 2020	September 1, 2020 to December 31, 2020
Exercise price (USD)	0.0005-9.9742	0.0005-8.2940	0.0005-9.9742	0.0005-9.9742
Expected volatility	50%-58%	54%	54%	53%
Risk-free rate	1.50%-3.07%	0.64%-0.71%	0.71%	0.92%
Expected dividend yield	0%	0%	0%	0%
Expected life	10 years	10 years	10 years	10 years
Fair value (USD)	0.19-4.30	1.81-4.53	1.84-4.78	1.76-4.71

Grant date	January 1, 2021 to March 31, 2021	April 1, 2021 to June 30, 2021	July 1, 2021 to September 30, 2021	October 1, 2021 to December 31, 2021
Exercise price (USD)	0.0005-9.9742	0.0005-9.9742	0.0005-9.9742	0.0005-9.9742
Expected volatility	54%	54%	54%	47.6%
Risk-free rate	1.74%	1.47%	1.49%	1.51%
Expected dividend yield	0%	0%	0%	0%
Expected life	10 years	10 years	10 years	10 years
Fair value (USD)	1.45-4.86	1.62-5.11	1.70-5.35	2.20-6.70

Grant date	January 1, 2022 to March 31, 2022	April 1, 2022 to June 30, 2022	July 1, 2022 to December 31, 2022
Exercise price (USD)	9.9742	9.9742	0.0005-9.9742
Expected volatility	47.7%	47.32%	46.8%
Risk-free rate	2.35%	3.02%	3.88%
Expected dividend yield	0%	0%	0%
Expected life	10 years	10 years	10 years
Fair value (USD)	3.03	4.17	4.21-9.54

For the years ended December 31, 2020, 2021 and 2022, the Group recognised total expenses of RMB62,529,000, RMB7,739,000 and RMB16,509,000 related to the share options granted, respectively.

APPENDIX I

ACCOUNTANTS' REPORT

30. OPERATING LEASE ARRANGEMENT

The Group as a lessor

The Group leases out computer devices which are self-owned or leased-in as an intermediate lessor.

Undiscounted lease payments receivable on leases are as follows:

	As at December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Within one year	267,456	331,084	258,959
In the second year	116,041	147,179	98,912
In the third year	39,835	44,877	23,418
In the fourth year	490	379	148
In the fifth year	154	34	11
	<u>423,976</u>	<u>523,553</u>	<u>381,448</u>

31. FINANCIAL INSTRUMENTS

31.1 Financial instruments by categories

The Group

	As at December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Financial assets:			
Financial assets at amortised cost	1,038,464	867,606	893,425
Financial assets at FVTPL	32,015	32,009	–
Trade receivables–Pay-as-you-go office IT integrated solution revenue recognised as lease income under IFRS 16	41,386	93,393	107,001
Debt instruments at FVTOCI	–	34,850	–
	<u>1,112,865</u>	<u>1,027,858</u>	<u>1,000,426</u>
Financial liabilities:			
Financial liabilities at amortised cost	1,497,517	1,763,959	1,569,691
Financial liabilities at FVTPL	1,857,458	2,282,188	2,984,358
Lease liabilities	94,608	291,751	289,296
	<u>3,449,583</u>	<u>4,337,900</u>	<u>4,843,345</u>

The Company

	As at December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Financial assets:			
Financial assets at amortised cost	507,353	640,119	43,832
	<u>507,353</u>	<u>640,119</u>	<u>43,832</u>
Financial liabilities:			
Financial liabilities at amortised cost	134,003	613,131	676,167
Financial liabilities at FVTPL	1,781,359	2,282,188	2,984,358
	<u>1,915,362</u>	<u>2,895,319</u>	<u>3,660,525</u>

APPENDIX I

ACCOUNTANTS' REPORT

31.2 Financial risk management

The Group's activities expose it to a variety of financial risks, such as market risk (including foreign exchange risk, interest rate risk, and other price risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the directors of the Company.

The Group's major financial instruments include trade and other receivables, amounts due from shareholders, structured deposits, cash and cash equivalents, pledged bank deposits and time deposits, debt instruments at FVTOCI, borrowings, bond payable, lease liabilities, amounts due to preferred shareholders, amounts due to shareholders, financial liabilities at FVTPL, trade and other payables, and deposits received for rental computer devices. The Company's major financial instruments include amounts due from (to) subsidiaries, amounts due from shareholders, amounts due from (to) preferred shareholders, cash and cash equivalents, pledged bank deposits and time deposits and financial liabilities at FVTPL. Details of the financial instruments are disclosed in respective notes. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

Foreign exchange risk

The functional currency of the group entities is RMB. Foreign exchange risk arises when future commercial transactions or recognised financial assets and liabilities are denominated in a currency other than the functional currency of the respective entities. In addition, the Company has intra-group balances with subsidiaries denominated in foreign currency which also expose the Group to foreign currency risk.

Certain bank balances, time deposits, pledged bank deposits, amounts due from shareholders, amounts due from (to) preferred shareholders, other payables, intra-group balances and financial liabilities at FVTPL are denominated in foreign currencies which are exposed the Group and the Company to foreign currency risk. The management manages its currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arise.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows.

The Group

Currency	Assets			Liabilities		
	As at December 31,			As at December 31,		
	2020	2021	2022	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
USD	783,057	1,194,843	700,625	2,007,073	3,247,984	3,638,246
HKD	6,865	–	51	–	401	–

The Company

Currency	Assets			Liabilities		
	As at December 31,			As at December 31,		
	2020	2021	2022	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
USD	507,353	460,271	43,781	1,915,362	2,878,098	3,638,246
HKD	–	–	51	–	401	–

The Group's and the Company's foreign currency risk is concentrated on the fluctuation of RMB against USD.

APPENDIX I

ACCOUNTANTS' REPORT

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in RMB against USD. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A negative number below indicates an increase in post-tax loss for the year where RMB weakens 5% against USD. For a 5% strengthening of RMB against USD, there would be an opposite impact on the post-tax loss for the year.

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>

The Group

Impact on profit or loss

USD	(61,201)	(102,657)	(146,881)
-----	----------	-----------	-----------

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>

The Company

Impact on profit or loss

USD	(70,400)	(120,891)	(179,723)
-----	----------	-----------	-----------

The directors of the Company considered the sensitivity analysis is unrepresentative of the foreign exchange risk as the exposure at the end of each reporting period does not reflect the exposure during the Track Record Period.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group and the Company to cash flow interest rate risk, whereas fixed rate instruments expose the Group and the Company to fair value interest risk. The Group's and the Company's cash flow interest rate risk primarily arose from variable-rate cash and cash equivalents, details of which have been disclosed in Note 21. The Group's and the Company's fair value interest risk primarily arose from fixed-rate time deposits, pledged bank deposits, lease liabilities, Preferred Shares and convertible bonds designated as financial liabilities at FVTPL, borrowings and bond payable, details of which have been disclosed in Notes 21, 22, 16, 24, 25 and 26, respectively.

No sensitivity analysis on interest rate risk on cash and cash equivalents is presented as management considers the exposure of cash flow interest rate risk arising from cash and cash equivalents is insignificant.

Other price risk

The Group and the Company are exposed to price risk in respect of its structured deposits issued by a bank measured at FVTPL, debt instruments at FVTOCI and Preferred Shares, warrants and convertible bonds accounted for as financial liabilities at FVTPL. The above financial instruments are exposed to price risk because of changes in market prices, where changes are caused by factors specific to the individual financial instruments or their issuers, or factors affecting all similar financial instruments traded in the market.

Preferred Shares, warrants and convertible bonds are affected by changes in the Company's equity value, the sensitivity analysis of which has been disclosed in Note 31.4. The exposures of other price risk arising from structured deposits issued by a bank and debt instruments at FVTOCI are considered to be insignificant.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Credit risk and impairment assessment

Credit risk is the risk that a counterparty default on its contractual obligations leading to a financial loss to the Group. The Group’s and the Company’s credit risk is mainly associated with cash and cash equivalents, pledged bank deposits and time deposits, amounts due from shareholders, amounts due from preferred shareholders, trade and other receivables, structured deposits and debt instruments at FVTOCI, the carrying amounts of which represent the Group’s and the Company’s maximum exposure to credit risk in relation to these financial assets.

Except for structured deposits measured at FVTPL, the Group and the Company performed impairment assessment for financial assets and other items under ECL model. Information about the Group’s and the Company’s credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

The Group’s and the Company’s cash and cash equivalents and pledged bank deposits and time deposits are mainly deposited in state-owned or reputable financial institutions in Mainland China and reputable international financial institutions outside of Mainland China. There has been no recent history of default in relation to these financial institutions. The Group and the Company consider the instruments have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are insignificant during the Track Record Period, hence no loss allowance was recognised.

The Group has no material concentration of credit risk at December 31, 2020, 2021 and 2022.

In order to minimize credit risk, the Group has tasked its credit management team to develop and maintain the credit risk grading for the Group’s trade receivables, bills receivable and other receivables and to categorize exposures according to their degree of risk of default. The credit management team uses publicly available financial information and the Group’s own trading records to rate its major customers and other debtors. The Group’s exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The table below set forth how the Group and the Company define the credit risk grading of its counterparties and its accounting policies for recognition of ECL:

Category	Definition of category	Basis for recognition of ECL	
		Trade receivables	Other financial assets
Low risk	The counterparties have a low risk of default and a strong capacity to meet contractual cash flow obligations in the near term	Lifetime ECL - not credit-impaired	12m ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired	Lifetime ECL – not credit- impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Asset is written off	Asset is written off

APPENDIX I

ACCOUNTANTS’ REPORT

The tables below detail the credit risk exposures of the Group’s and the Company’s financial assets and other item, which are subject to ECL assessment:

The Group

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount		
					As at December 31,		
					2020	2021	2022
					RMB’000	RMB’000	RMB’000
Financial assets at amortised cost							
Cash and cash equivalents	21	N/A	Low risk	12m ECL	725,366	542,568	505,803
Pledged bank deposits and time deposits	22	N/A	Low risk	12m ECL	155,489	68,439	99,880
Amounts due from shareholders	19A	N/A	Low risk	12m ECL	5	41	41
Trade receivables-contracts with customers	18A	N/A	(Note)	Lifetime ECL	126,502	138,259	133,638
Other receivables	18A	N/A	Low risk	12m ECL	56,538	171,684	232,157
Debt instruments at FVTOCI	18B	N/A	Low risk	12m ECL	–	34,850	–
Other item							
Trade receivables – Pay-as-you-go office IT integrated solution revenue recognised as lease income under IFRS 16	18A	N/A	(Note)	Lifetime ECL	97,145	151,734	188,748

The Company

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount		
					As at December 31,		
					2020	2021	2022
					RMB’000	RMB’000	RMB’000
Financial assets at amortised cost							
Cash and cash equivalents	21	N/A	Low risk	12m ECL	368,005	87,417	43,791
Pledged bank deposits	22	N/A	Low risk	12m ECL	47,632	–	–
Amounts due from shareholders	19A	N/A	Low risk	12m ECL	5	2,968	41
Amounts due from subsidiaries	19C	N/A	Low risk	12m ECL	91,711	–	–
Amounts due from preferred shareholders	19B	NA	Low risk	12m ECL	–	549,734	–

Note: For trade receivables arising from contracts with customers and lease arrangements, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant balances and credit-impaired assessed individually, the directors of the Company estimate the amount of lifetime ECL of trade receivables on a collective basis by using provision matrix through grouping of various debtors that have similar loss patterns, after considering ageing, internal credit ratings of trade debtors, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and forward-looking information that is available without undue cost or effort.

APPENDIX I

ACCOUNTANTS’ REPORT

The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix as at December 31, 2020, 2021 and 2022. Debtors with significant balances and credit-impaired with gross carrying amounts of RMB21,034,000, RMB32,160,000 and RMB79,255,000, respectively, as at December 31, 2020, 2021 and 2022 were assessed individually.

As at December 31, 2020

Provision on collective basis	Within 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 270 days	271 to 360 days	Over 360 days	Total
Average loss rate	0.04%	27.86%	55.59%	80.63%	92.59%	98.32%	98.57%	29.66%
Gross carrying amount (RMB'000)	128,183	13,879	4,062	7,002	8,399	6,914	34,174	202,613
Loss allowance (RMB'000)	(54)	(3,866)	(2,258)	(5,646)	(7,777)	(6,798)	(33,687)	(60,086)

As at December 31, 2021

Provision on collective basis	Within 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 270 days	271 to 360 days	Over 360 days	Total
Average loss rate	0.07%	34.74%	64.22%	83.99%	86.37%	92.42%	99.86%	30.77%
Gross carrying amount (RMB'000)	167,816	9,985	4,161	9,568	5,973	4,778	55,552	257,833
Loss allowance (RMB'000)	(114)	(3,469)	(2,672)	(8,036)	(5,159)	(4,416)	(55,474)	(79,340)

As at December 31, 2022

Provision on collective basis	Within 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 270 days	271 to 360 days	Over 360 days	Total
Average loss rate	0.20%	26.57%	45.94%	61.27%	68.35%	76.71%	97.11%	33.03%
Gross carrying amount (RMB'000)	150,264	4,806	3,574	7,648	3,991	5,221	67,627	243,131
Loss allowance (RMB'000)	(305)	(1,277)	(1,642)	(4,686)	(2,728)	(4,005)	(65,670)	(80,313)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at January 1, 2020	18	48,910	48,928
Net impairment losses recognised	2,592	29,600	32,192
Transfer to credit-impaired	(2,556)	2,556	–
As at December 31, 2020	54	81,066	81,120
Net impairment losses recognised	3,876	26,504	30,380
Transfer to credit-impaired	(3,816)	3,816	–

APPENDIX I

ACCOUNTANTS’ REPORT

	Lifetime ECL (not credit- impaired) RMB’000	Lifetime ECL (credit- impaired) RMB’000	Total RMB’000
As at December 31, 2021	114	111,386	111,500
Net impairment losses recognised	4,391	46,675	51,066
Write-off	–	(2,998)	(2,998)
Transfer to credit-impaired	(4,200)	4,200	–
As at December 31, 2022	<u>305</u>	<u>159,263</u>	<u>159,568</u>

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	12m ECL RMB’000	Lifetime ECL (not credit- impaired) RMB’000	Lifetime ECL (credit- impaired) RMB’000	Total RMB’000
As at January 1, 2020	112	–	–	112
Net impairment losses reversed	(37)	–	–	(37)
As at December 31, 2020	75	–	–	75
Net impairment losses recognised	151	–	–	151
As at December 31, 2021	226	–	–	226
Net impairment losses recognised	47	–	–	47
As at December 31, 2022	<u>273</u>	<u>–</u>	<u>–</u>	<u>273</u>

For all other financial instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, on which the Group recognises lifetime ECL.

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of borrowings. Taking into account the financial resources available to the Group, including cash and cash equivalents on hand, structured deposits and operating cash flows, the directors of the Company believe that the Group will have sufficient financial resources to satisfy its future working capital in the next twelve months from the date of the report.

The following table details remaining contractual maturity of the Group’s and the Company’s financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities on the earliest date which the Group and the Company can be required to pay. The maturity dates are based on the agreed repayment dates.

APPENDIX I

ACCOUNTANTS’ REPORT

The table includes both interest and principal cash flows.

The Group

	Weighted average interest rate	Carrying amount RMB'000	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at December 31, 2020							
Trade and other payables	-	80,830	80,830	-	-	-	80,830
Amounts due to preferred shareholders	-	159,675	159,675	-	-	-	159,675
Deposits received for rental computer devices	-	16,148	16,148	-	-	-	16,148
Borrowings	3.65%-12.00%	1,240,864	984,012	341,304	42,072	-	1,367,388
Financial liabilities at FVTPL	10%-12%	1,857,458	1,613,563	-	-	-	1,613,563
Lease liabilities	5.5%-13.2%	94,608	50,216	42,462	8,080	-	100,758
Total		3,449,583	2,904,444	383,766	50,152	-	3,338,362
As at December 31, 2021							
Trade and other payables	-	117,957	117,957	-	-	-	117,957
Amounts due to shareholders	-	1,779	1,779	-	-	-	1,779
Deposits received for rental computer devices	-	12,755	12,755	-	-	-	12,755
Borrowings	3.65%-12.60%	1,605,330	1,239,732	449,212	20,297	-	1,709,241
Financial liabilities at FVTPL	10%-12%	2,282,188	-	1,644,935	-	-	1,644,935
Lease liabilities	5.5%-13.2%	291,751	197,930	124,451	24,297	-	346,678
Bond payable	6.5%	26,138	15,421	11,643	-	-	27,064
Total		4,337,898	1,585,574	2,230,241	44,594	-	3,860,409
As at December 31, 2022							
Trade and other payables	-	151,475	151,475	-	-	-	151,475
Amounts due to shareholders	-	1,841	1,841	-	-	-	1,841
Deposits received for rental computer devices	-	12,032	12,032	-	-	-	12,032
Borrowings	3.35%-12.10%	1,393,303	1,144,500	280,556	57,256	-	1,482,312
Financial liabilities at FVTPL	10%-12%	2,984,358	-	2,014,809	-	-	2,014,809
Lease liabilities	4.07%-13.4%	289,296	208,365	80,417	35,198	5,872	329,852
Bond payable	6.5%	11,040	11,643	-	-	-	11,643
Total		4,843,345	1,529,856	2,375,782	92,454	5,872	4,003,964

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Weighted average interest rate	Carrying amount RMB'000	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
As at December 31, 2020						
Amounts due to preferred shareholders	-	134,003	134,003	-	-	134,003
Financial liabilities at FVTPL	10%-12%	1,781,359	1,553,273	-	-	1,553,273
Total		1,915,362	1,687,276	-	-	1,687,276
As at December 31, 2021						
Accrued [REDACTED] expenses and [REDACTED] costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Amounts due to subsidiaries	-	603,858	603,858	-	-	603,858
Financial liabilities at FVTPL	10%-12%	2,282,188	-	1,644,935	-	1,644,935
Total		2,895,319	613,131	1,644,935	-	2,258,066
As at December 31, 2022						
Accrued [REDACTED] expenses and [REDACTED] costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Amounts due to subsidiaries	-	669,645	669,645	-	-	669,645
Financial liabilities at FVTPL	10%-12%	2,984,358	-	2,014,809	-	2,014,809
Total		3,660,525	676,167	2,014,809	-	2,690,976

31.3 Capital risk management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders’ value in the long term.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through new shares issues as well as raising of borrowings.

31.4 Fair value measurement of financial instruments

Determination of fair value and fair value hierarchy

IFRS 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurement for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument’s categorisation within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

APPENDIX I

ACCOUNTANTS’ REPORT

Some of the Group’s and the Company’s financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about the fair value hierarchy of the Group’s and the Company’s financial assets and liabilities:

The Group

	Level 1 <i>RMB’000</i>	Level 2 <i>RMB’000</i>	Level 3 <i>RMB’000</i>	Total <i>RMB’000</i>
As at December 31, 2020				
Assets:				
Structured deposits	–	32,015	–	32,015
Liabilities:				
Financial liabilities at FVTPL	–	–	1,857,458	1,857,458
As at December 31, 2021				
Assets:				
Structured deposits	–	32,009	–	32,009
Debt instruments at FVTOCI	–	34,850	–	34,850
Liabilities:				
Financial liabilities at FVTPL	–	–	2,282,188	2,282,188
As at December 31, 2022				
Liabilities:				
Financial liabilities at FVTPL	–	–	2,984,358	2,984,358

The Company

	Level 1 <i>RMB’000</i>	Level 2 <i>RMB’000</i>	Level 3 <i>RMB’000</i>	Total <i>RMB’000</i>
As at December 31, 2020				
Liabilities:				
Financial liabilities at FVTPL	–	–	1,781,359	1,781,359
As at December 31, 2021				
Liabilities:				
Financial liabilities at FVTPL	–	–	2,282,188	2,282,188
As at December 31, 2022				
Liabilities:				
Financial liabilities at FVTPL	–	–	2,984,358	2,984,358

APPENDIX I

ACCOUNTANTS' REPORT

The following table gives information about how the fair values of structured deposits and debt instruments at FVTOCI are determined (in particular, the valuation techniques and inputs used).

The Group

Financial assets	Fair value			Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at December 31,						
	2020	2021	2022				
	RMB'000	RMB'000	RMB'000				
Structured deposits	32,015	32,009	-	Level 2	Discounted cash flow. Future cash flows are estimated based on estimated return (from observable exchange rate)	N/A	N/A
Debt instruments at FVTOCI	-	34,850	-	Level 2	Discounted cash flow - future cash flows discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A

Preferred Shares, warrants and convertible bonds accounted for as financial liabilities at FVTPL are not traded in an active market. The valuation techniques and major assumptions used in the valuation for Preferred Shares, warrants and convertible bonds are presented in Note 24.

A 5% increase/decrease in the equity value of the Company, while all other variables keep constant, would increase the carrying amount of financial liabilities at FVTPL as at December 31, 2020 by approximately RMB78,815,000, or decrease the amount as at December 31, 2020 by approximately RMB78,939,000, respectively.

A 5% increase/decrease in the equity value of the Company, while all other variables keep constant, would increase the carrying amount of financial liabilities at FVTPL as at December 31, 2021 by approximately RMB104,884,000, or decrease the amount as at December 31, 2021 by approximately RMB104,654,000, respectively.

A 5% increase/decrease in equity value of the Company, while all other variables keep constant, would increase the carrying amount of financial liabilities at FVTPL as at December 31, 2022 by approximately 143,451,000, or decrease the amount as at December 31, 2022 by approximately 143,484,000, respectively.

For assets and liabilities that are measured at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. During the Track Record Period, there were no transfers among different levels of fair values measurement.

Reconciliation of Level 3 fair value measurements:

The Group

	Financial liabilities at FVTPL
	<i>RMB'000</i>
As at January 1, 2020	1,525,194
Issue of convertible bonds	351,513
Changes in fair value (<i>Note i</i>)	(18,609)
Redemption of Preferred Shares	(640)
	<hr/>

APPENDIX I

ACCOUNTANTS’ REPORT

	Financial liabilities at FVTPL <i>RMB’000</i>
As at December 31, 2020	1,857,458
Changes in fair value (<i>Note i</i>)	416,358
Exercise of warrants	29,000
Redemption of preferred shares	(1,058,119)
Issue of ordinary shares with preferred rights	1,060,589
Redemption of ordinary shares with preferred rights	(1,209,150)
Issue of preferred shares	1,186,052
	<hr/>
As at December 31, 2021	2,282,188
Changes in fair value (<i>Note i</i>)	702,170
	<hr/>
As at December 31, 2022	2,984,358
	<hr/> <hr/>

The Company

	Financial liabilities at FVTPL <i>RMB’000</i>
As at January 1, 2020	1,502,110
Issue of convertible bonds	297,185
Changes in fair value (<i>Note i</i>)	(17,936)
	<hr/>
As at December 31, 2020	1,781,359
Redemption of preferred shares	(1,058,119)
Issue of preferred shares	1,186,052
Changes in fair value (<i>Note i</i>)	372,896
	<hr/>
As at December 31, 2021	2,282,188
Changes in fair value (<i>Note i</i>)	702,170
	<hr/>
As at December 31, 2022	2,984,358
	<hr/> <hr/>

Note

i: Change in fair value presented in RMB includes effect of exchange on translation from USD balances.

Of the total gains or losses for the years ended December 31, 2020, 2021 and 2022 included in profit or loss, gain of RMB18,609,000, loss of RMB416,358,000 and loss of RMB702,170,000 relates to financial liabilities at FVTPL of the Group held at the end of each reporting period, which are included in “gain/(loss) on changes in fair value of financial liabilities at FVTPL”.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

For the financial assets and financial liabilities that are not measured at fair value on a recurring basis, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

APPENDIX I

ACCOUNTANTS’ REPORT

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group’s consolidated statements of cash flows as cash flows from financing activities.

	Amounts due to shareholders	Amounts due to preferred shareholders	Financial liabilities at FVTPL	Lease liabilities	Borrowings	Bond payable	Accrued issue costs	Other payables	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities from financing activities as at January 1, 2020	-	-	1,525,194	59,481	850,359	-	-	-	2,435,034
Financing cash flows	-	166,932	350,873	(69,639)	304,970	-	-	-	753,136
New leases entered	-	-	-	98,812	-	-	-	-	98,812
Finance costs (Note 9)	-	-	-	8,320	87,022	-	-	-	95,342
Termination of lease contract	-	-	-	(2,366)	-	-	-	-	(2,366)
Fair value changes on financial liabilities at FVTPL	-	-	(18,609)	-	-	-	-	-	(18,609)
Exchange adjustment	-	(7,257)	-	-	-	-	-	-	(7,257)
Others	-	-	-	-	(1,487)	-	-	-	(1,487)
Liabilities from financing activities as at December 31, 2020	-	159,675	1,857,458	94,608	1,240,864	-	-	-	3,352,605
Financing cash flows	-	(160,628)	8,372	(169,045)	240,261	26,001	(2,487)	-	(57,526)
New lease entered	-	-	-	350,106	-	-	-	-	350,106
Finance costs (Note 9)	-	-	-	21,895	124,205	137	-	-	146,237
Termination of lease contract	-	-	-	(5,813)	-	-	-	-	(5,813)
Deferred [REDACTED] costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Fair value changes on financial liabilities at FVTPL	-	-	416,358	-	-	-	-	-	416,358
Exchange adjustment	-	953	-	-	-	-	-	-	953
Effect from the Reorganisation (Note 2)	1,779	-	-	-	-	-	-	-	1,779
Repurchase of ordinary shares of Beijing Ediantao	-	-	-	-	-	-	-	10,449	10,449
Issuance of ordinary share of the Company pursuant to the Reorganisation	-	-	-	-	-	-	-	(2,963)	(2,963)
Other	-	-	-	-	-	-	-	36	36
Liabilities from financing activities as at December 31, 2021	1,779	-	2,282,188	291,751	1,605,330	26,138	1,820	7,522	4,216,528
Financing cash flows	62	-	-	(269,109)	(343,352)	(16,134)	-	(7,522)	(636,055)
New lease entered	-	-	-	229,420	-	-	-	-	229,420
Finance costs (Note 9)	-	-	-	37,234	131,325	1,036	-	-	169,595
Fair value changes on financial liabilities at FVTPL	-	-	702,170	-	-	-	-	-	702,170
Deferred [REDACTED] costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Liabilities from financing activities as at December 31, 2022	1,841	-	2,984,358	289,296	1,393,303	11,040	185	-	4,680,023

APPENDIX I

ACCOUNTANTS' REPORT

33. RELATED PARTY TRANSACTIONS

Save as disclosed in Notes 19A, 19D and 19F to the Historical Financial Information, during the Track Record Period, the Group has no significant related party transactions and balances with its related companies.

(a) Key management personnel compensation

The remuneration of directors and other key management personnel is as follows:

	Year ended December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Short-term employee benefits	4,996	9,104	8,027
Retirement benefits	296	803	912
Share-based payments	58,778	2,809	4,350
	<u>64,070</u>	<u>12,716</u>	<u>13,289</u>

34. RETIREMENT BENEFITS SCHEME

The employees of the Group in Mainland China are members of a state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authorities to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions under the scheme.

During the Track Record Period, the Group had no forfeited contributions under the above retirement benefit scheme which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at December 31, 2020, 2021 and 2022 under such scheme which may be used by the Group to reduce the contribution payable in future years.

The amounts of contributions made by the Group in respect of such retirement benefit scheme are disclosed in Note 11.

35. PARTICULARS OF SUBSIDIARIES

The Group

Details of the subsidiaries directly and indirectly held by the Company are set out below:

Name of subsidiaries	Place of incorporation/ registration/ operations	Issued and fully paid share capital/ registered capital	Proportion ownership interest attributable to the Company			As at the date of this report	Principal activities
			December 31, 2020	2021	2022		
Subsidiaries							
directly/indirectly held:							
All In Service Hong Kong Limited (<i>Note vii</i>) (全傾服務香港有限公司)	Hong Kong China	USD500,000/ USD500,000	100%	100%	–	–	IT Technology Development and Consulting
Edianzu HK (易點租賃香港有限公司)	Hong Kong China	USD268,474,407.92/ USD268,474,407.92	100%	100%	100%	100%	IT Technology Development and Consulting

APPENDIX I

ACCOUNTANTS' REPORT

Name of subsidiaries	Place of incorporation/ registration/ operations	Issued and fully paid share capital/ registered capital	Proportion ownership interest attributable to the Company			As at the date of this report	Principal activities
			December 31, 2020	2021	2022		
Huaqing Edian	Mainland China	RMB1,147,206,678/ RMB1,253,850,000	100%	100%	100%	100%	IT Devices Lease
Beijing Quanqing Ganxin Technology Co., Ltd.* (Note ii) (北京全傾感心科技有限公司)	Mainland China	RMB347,088.73/ RMB65,285,000	100%	-	-	-	IT Technology Development and Consulting
Zhongzu Yidiansyun Technology Co., Ltd.* (中租易點雲(北京)科技有限公 司)	Mainland China	Nil/ RMB12,000,000	100%	100%	100%	100%	IT Devices Lease
Tianjin Yidian Network Technology Co., Ltd.* (天津易點網絡科技有限公司)	Mainland China	RMB250,000/ RMB1,000,000	100%	100%	100%	100%	IT Technology Development And Consulting
Xian Yidian Youxin Network Technology Co., Ltd.* (西安易點優信網絡科技有限公 司)	Mainland China	Nil/ RMB1,000,000	100%	100%	100%	100%	IT Technology Development And Consulting
Guangzhou Yidian Interconnection Technology Co., Ltd.* (廣州易點互聯科技有限公司)	Mainland China	Nil/ RMB1,000,000	100%	100%	100%	100%	IT Technology Consulting and Software Development
Beijing Ebandian Technology Co., Ltd.* (北京易盤點科技有限公司)	Mainland China	RMB1,000,000/ RMB10,000,000	100%	100%	100%	100%	IT Technology Development And Consulting
Beijing Yidian Zhikuai Technology Co., Ltd.* (Note ii) (北京易點致快科技有限公司)	Mainland China	Nil/ RMB2,000,000	100%	-	-	-	Computer Hardware and Software Development
Wuhan Yidian Zhikuai Technology Co., Ltd.* (武漢易點致快科技有限公司)	Mainland China	RMB10,000,000/ RMB10,000,000	100%	100%	100%	100%	IT Technology Development and Consulting
Wuhan Yidian Youfu Technology Co., Ltd.* (武漢易點優服科技有限公司)	Mainland China	Nil/ RMB1,000,000	100%	100%	100%	100%	Computer Hardware and Software Development
Nanjing Huaqingyidian Network Technology Co., Ltd.* (南京華清易點網絡科技有限公 司)	Mainland China	Nil/ RMB1,000,000	100%	100%	100%	100%	IT Technology Development and Consulting
Shanghai Hongyi Technology Co., Ltd.* (上海竝易科技有限公司)	Mainland China	Nil/ RMB1,000,000	100%	100%	100%	100%	IT Technology Development and Consulting

APPENDIX I

ACCOUNTANTS’ REPORT

Name of subsidiaries	Place of incorporation/ registration/ operations	Issued and fully paid share capital/ registered capital	Proportion ownership interest attributable to the Company			As at the date of this report	Principal activities
			December 31, 2020	2021	2022		
Chongqing Yidian Youxin Technology Co., Ltd.* (重慶易點優信網絡技術有限公司)	Mainland China	Nil/ RMB1,000,000	100%	100%	100%	100%	IT Technology Consulting And Software Development
Tianjin Yidian Qingcheng Material Recycling Co., Ltd.* (天津易點清誠物資回收再利用 有限公司)	Mainland China	RMB350,000/ RMB1,000,000	100%	100%	100%	100%	Recycling and Reuse of IT Devices
Hefei Diantao Network Technology Co., Ltd.* (合肥點淘網絡科技有限公司)	Mainland China	Nil/ RMB1,000,000	100%	100%	100%	100%	Computer Hardware and Software Development
Shenzhen Yidianyouxin Technology Co., Ltd.* (深圳易點優信科技有限公司)	Mainland China	Nil/ RMB1,000,000	100%	100%	100%	100%	Computer Hardware and Software Development
Suzhou Yidian Youfu Technology Co., Ltd.* (蘇州易點優服網絡科技有限公 司)	Mainland China	Nil/ RMB1,000,000	100%	100%	100%	100%	IT Technology Development and Consulting
Chengdu Pengyi Technology Co., Ltd.* (成都鵬易科技有限公司)	Mainland China	Nil/ RMB1,000,000	100%	100%	100%	100%	Computer Software Development and Services
Hangzhou Yunyi Jiuchuang Technology Co., Ltd.* (杭州雲易久創科技有限公司)	Mainland China	Nil/ RMB1,000,000	100%	100%	100%	100%	IT Technology Development
Beijing Quanqing Xiangqian Technology Co., Ltd.* (北 京全傾向前技術有限公司) (Note iii)	Mainland China	Nil/ RMB20,000,000	-	-	-	-	IT Technology Development and Consulting
Tianjin Huayi Investment Co., Ltd.* (天津華易投資有限公 司) (Note iv)	Mainland China	Nil/ RMB400,000,000	-	-	100%	100%	Investment activities
Tianjin Huahong Technology Co., Ltd.* (天津華竝科技有限公司) (Note v)	Mainland China	Nil/ RMB400,000,000	-	-	100%	100%	IT Technology Development and Consulting
Beijing Ediantao (Note i)	Mainland China	RMB666,667/ RMB16,129,758.40	100%	100%	100%	100%	IT Devices Lease and Consulting

APPENDIX I

ACCOUNTANTS’ REPORT

Name of subsidiaries	Place of incorporation/ registration/ operations	Issued and fully paid share capital/ registered capital	Proportion ownership interest attributable to the Company			As at the date of this report	Principal activities
			2020	2021	2022		
Shanghai Yuyi Network Technology Co., Ltd.* (上海彧易網絡科技有限公司) (Note i)	Mainland China	Nil/ RMB1,000,000	100%	100%	100%	100%	IT Technology Development and Consulting
Shanghai Quanqing Youfu Technology Co., Ltd.* (上 海全傾優服網絡科技有限公 司) (Note vi)	Mainland China	Nil/ RMB1,000,000	-	-	100%	100%	IT Technology Development and Consulting
Yunshang Yilian Technology Co., Ltd.* (雲商易聯(北京) 科技有限公司) (Note viii)	Mainland China	Nil/ RMB1,000,000	-	-	100%	100%	IT Technology Development and Consulting
Huaxia Edianyun Technology Co., Ltd.* (華夏易點雲(北 京)科技有限公司) (Note ix)	Mainland China	Nil/ RMB1,000,000	-	-	100%	100%	IT Technology Development and Consulting
Sichuan Edianyun Network Technology Co., Ltd.* (四 川易點雲網絡技術有限公司) (Note x)	Mainland China	Nil/ RMB100,000,000	-	-	-	100%	IT Technology Development and Consulting
Sichuan Yidian Anying Technology Co., Ltd.* (四 川易點安盈科技有限公司) (Note xi)	Mainland China	Nil/ RMB2,000,000	-	-	-	100%	IT Technology Development and Consulting
Chengdu Youtu Edianyun Technology Co., Ltd.* (成 都優服易點雲科技有限公司) (Note xii)	Mainland China	Nil/ RMB10,000,000	-	-	-	100%	IT Technology Development and consulting

Notes:

- (i) As described in Note 2, before the completion of the Reorganisation, the Company does not have directly or indirectly legal ownership in equity of the structured entity or its subsidiary. Nevertheless, under certain Contractual Arrangements entered into with the equity holders of the structured entity, the Company and its legal owned subsidiary have power over the structured entity, have rights to variable returns from its involvement with the structured entity and has the ability to affect those returns through its power over the structured entity and is considered to have control over the structured entity. Consequently, the Company regards the structured entity as an indirect subsidiary of the Company.
- (ii) Beijing Quanqing Ganxin Technology Co., Ltd. and Beijing Yidian Zhikuai Technology Co., Ltd. were deregistered on August 20, 2021.
- (iii) Beijing Quanqing Xiangqian Technology Co., Ltd was deregistered on August 12, 2020.
- (iv) Tianjin Huayi Investment Co., Ltd was established on February 8, 2022.
- (v) Tianjin Huahong Technology Co., Ltd was established on February 14, 2022.
- (vi) Shanghai Quanqing Youfu Technology Co., Ltd was established on March 31, 2022.
- (vii) All In Service Hong Kong Limited was deregistered on March 18, 2022.
- (viii) Yunshang Yilian Technology Co., Ltd. was established on August 4, 2022.
- (ix) Huaxia Edianyun Technology Co., Ltd. was established on October 9, 2022.
- (x) Sichuan Edianyun Network Technology Co., Ltd. was established on January 4, 2023.

APPENDIX I

ACCOUNTANTS’ REPORT

- (xi) Sichuan Yidian Anying Technology Co., Ltd. was established on February 9, 2023.
- (xii) Chengdu Youtu Edianyun Technology Co., Ltd. was established on February 13, 2023.

The voting power of the subsidiaries held by the Company is the same with the ownership interest held by the Company.

The statutory financial statements of Beijing Ediantao for the year ended December 31, 2020 were prepared in accordance with the Accounting Standards for Business Enterprises and Financial Regulations applicable in the PRC and were audited by Beijing Qianke Certified Public Accountants (General Partnership)* (北京千科會計師事務所(普通合夥)), certified public accountants registered in the PRC. No audited statutory financial statements of Beijing Ediantao were available for the years ended December 31, 2021 and 2022 as there were no requirements to issue audited accounts by the local authorities.

The statutory financial statements of Beijing Ebandian Technology Co., Ltd. for the year ended December 31, 2020, were prepared in accordance with the Accounting Standards for Business Enterprises and Financial Regulations applicable in the PRC and were audited by Beijing Anzheng Certified Public Accountants Co., Ltd* (北京安正會計師事務所有限公司), certified public accountants registered in the PRC. No audited statutory financial statements of Beijing Ebandian Technology Co., Ltd. were available for the years ended December 31, 2021 and 2022 as there were no requirements to issue audited accounts by the local authorities.

No audited statutory financial statements were available for the rest of the group entities during the Track Record Period as there were no requirements to issue audited accounts by the local authorities.

None of the subsidiaries had issued any debt securities, except for Beijing Ediantao which has issued convertible bonds and bond during the Track Record Period. The details of the convertible bonds and bond payable are set out in Notes 24 and 26.

* English names are for identification purpose only.

The Company

The carrying amounts of the Company’s investments in subsidiaries:

	As at December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Investments in subsidiaries	825,388	1,248,474	1,844,750

The investments in subsidiaries of the Company mainly represented the capital injection to Edianzu HK and capitalization of deemed investment arising from granting share options to employees of subsidiaries amounted to RMB70,479,000, RMB78,218,000 and RMB94,727,000 as at December 31, 2020, 2021 and 2022.

36. SUBSEQUENT EVENTS

[On [●], the Company underwent the share subdivision whereby each issued and unissued share of nominal value USD0.0005 each in the Company’s authorised share capital was subdivided into 10 shares of USD0.00005 nominal value each.]

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to December 31, 2022.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

Notes:

1. The amount is calculated based on the audited consolidated net liabilities of the Group attributable to owners of the Company as of December 31, 2022 amounting to approximately RMB1,910,348,000, with adjustment for intangible assets of the Group attributable to owners of the Company as of December 31, 2022 of RMB649,000 as extracted from the Accountants’ Report as set out in Appendix I to this document.
2. The estimated net [REDACTED] from the [REDACTED] are based on [REDACTED] to be issued at the [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED], being the low-end and the high-end of the indicative range of the [REDACTED], respectively, after deduction of the estimated [REDACTED] expenses and share [REDACTED] costs (including [REDACTED] and other related expenses) expected to be incurred by the Group subsequent to December 31, 2022. It does not take into account the conversion of [421,811,170] Preferred Shares (as defined in Appendix I) of the Company or any Shares which may be allotted and issued upon the exercise of the [REDACTED] or any options which may be granted under share option scheme or any Shares which may be issued or repurchased by the Company referred to the section headed “Share Capital – General mandate to issue Shares” or section headed “Share Capital – General mandate to repurchase Shares”. For the purpose of calculating the estimated net [REDACTED] from the [REDACTED], the translation of HK dollars into Renminbi was made at the exchange rate of HK\$1.00 to RMB[0.8842] as disclosed by the People’s Bank of China (“PBOC”), rate prevailing on [March 1, 2023]. No representation is made that HK dollars have been, would have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.
3. The number of shares used for the calculation of unaudited [REDACTED] adjusted consolidated total tangible assets less liabilities of the Group attributable to owners of the Company per Share is based on [REDACTED] shares immediately following completion of [REDACTED] assuming that the [REDACTED] and the shares subdivision as referred to the section headed “Resolutions of the Shareholders of Our Company dated [●]” in appendix IV had been completed on December 31, 2022. It does not take into account the conversion of [421,811,170] Preferred Shares of the Company or any Shares which may be allotted and issued upon the exercise of the [REDACTED] or any options which may be granted under share option scheme or any Shares which may be issued or repurchased by the Company referred to the section headed “Share Capital – General mandate to issue Shares” or section headed “Share Capital – General mandate to repurchase Shares”.
4. The unaudited [REDACTED] adjusted consolidated total tangible assets less liabilities of the Group attributable to owners of the Company per Share is converted to HK Dollars at the rate of HK\$1 to RMB[0.8842] as disclosed by PBOC, rate prevailing on [March 1, 2023]. No representation is made that the Renminbi have been, would have been or may be converted to HK Dollars, or vice versa, at that rate or at any other rates or at all.
5. No adjustment has been made to the unaudited [REDACTED] adjusted consolidated total tangible assets less liabilities of the Group attributable to owners of the Company as of December 31, 2022 to reflect any operating result or other transactions of the Group entered into subsequent to December 31, 2022. In particular, the unaudited [REDACTED] adjusted consolidated total tangible assets less liabilities of the Group attributable to owners of the Company as shown on the table above have not been taken into account the conversion of [421,811,170] Preferred Shares of the Company.

As of December 31, 2022, the carrying amount of the [421,811,170] Preferred Shares was RMB[2,984,358,000] and recognized as financial liabilities. Such Preferred Shares shall automatically be converted into ordinary shares without the payment of any additional consideration upon the completion of the [REDACTED].

Had the [421,811,170] Preferred Shares of the Company to be converted been assumed to convert as of December 31, 2022, the unaudited [REDACTED] adjusted consolidated total tangible assets less liabilities of the Group attributable to owners of the Company as of December 31, 2022 per Share would have been calculated based on [REDACTED] Shares. The unaudited [REDACTED] adjusted consolidated total tangible assets less liabilities of the Group attributable to owners of the Company would have increased from approximately RMB[REDACTED] to approximately RMB[REDACTED] based on an [REDACTED] of HK\$[REDACTED] per [REDACTED], or from approximately RMB[REDACTED] to approximately RMB[REDACTED] based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]. The unaudited [REDACTED] adjusted consolidated total tangible assets less liabilities of the Group attributable to owners of the Company per Share would have increased to RMB[REDACTED] (HK\$[REDACTED]) and RMB[REDACTED] (HK\$[REDACTED]), based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] and HK\$[REDACTED] per [REDACTED], respectively.

For the purpose of calculating the unaudited [REDACTED] adjusted consolidated total tangible assets less liabilities of the Group attributable to owners of the Company per Share, the translation of HK dollars into Renminbi was made at the exchange rate of HK\$1.00 to RMB[0.8842] as disclosed by PBOC, rate prevailing on [March 1, 2023]. No representation is made that HK dollars have been, would have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

APPENDIX II

UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAWS

Set out below is a summary of certain provisions of the Memorandum and Articles of Association and of certain aspects of the company laws of the Cayman Islands.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 November 2015 under the Cayman Companies Act. The Company's constitutional documents consist of its Memorandum and Articles of Association.

1. MEMORANDUM OF ASSOCIATION

1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [●] and will become effective on the [REDACTED]. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(b) *Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated with the consent in writing of the holders of at least three-fourths of the issued Shares of that class, or with the approval of a resolution passed by at least three-fourths of the votes cast by the holders of the shares of that class present and voting in person or by proxy at a separate meeting of such holders. The provisions of the Articles relating to general meetings shall apply *mutatis mutandis* to every such separate general meeting, provided that the necessary quorum shall be two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy at least

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAWS

one-third of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(c) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of a larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(d) Transfer of shares

Subject to the Cayman Companies Act and the requirements of the Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House (as defined in the Articles) or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAWS

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien, or if the proposed transfer does not comply with the Articles or any requirements of the Listing Rules. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules and the relevant section of the Companies Ordinance, be closed in accordance with the terms equivalent to the relevant section of the Hong Kong Companies Ordinance at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

Subject to the Cayman Companies Act, a resolution submitted by an acquiror for the purpose of conducting hostile takeover actions against the Company, concerning, among others, acquiring or disposing of assets, entering into connected transactions, debt restructuring and management related contracts, shall be passed by way of a special resolution.

A takeover of the Company means either of the following circumstances: (1) an offer is made to all Shareholders of the Company; or (2) an offer is made such that the offeror will become the controlling shareholder of the Company.

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF THE
COMPANY AND CAYMAN COMPANIES LAWS**

(e) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent per annum as the Board may decide.

If a member fails to pay any call or installment of a call on the day appointed for payment, the Board may, for so long as any part of the call or installment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAWS

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

2.2 Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting or the Articles. Any Director so appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Notwithstanding the foregoing, the number of Directors to retire by rotation shall not exceed one-half of the Directors at one general meeting, or, if their number of directors sitting in the Board is not plural, then the number nearest to but not more than one-half shall retire at one general meeting. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The Company shall include the particulars of such proposed person for election as a Director in its announcement or supplementary circular, and shall give the shareholders at least seven days to consider the relevant information disclosed in such announcement or supplementary circular prior to the date of the meeting of the election.

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAWS

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the members of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the retirement by rotation provisions. The number of Directors shall not be less than two.

In the case of takeover of the Company, the Director candidate proposed by the acquiror or its acting-in-concert parties shall have at least five years' management experience in peer companies which are engaged in the same principal businesses of the Company. The chairman of the Board shall be elected from the then incumbent executive director(s) who have consecutively served as Director of the Company for at least three years.

The office of a Director shall be vacated if he:

- (i) resigns;
- (ii) dies;
- (iii) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) he is prohibited from being or ceases to be a director by operation of law;
- (vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (viii) is removed from office by no less than three-fourths in number of the Directors pursuant to the Articles.

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAWS

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may, subject to compliance with the Listing Rules, by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may, subject to compliance with the Listing Rules, be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

Subject to compliance with the Listing Rules, the Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, doing so is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF THE
COMPANY AND CAYMAN COMPANIES LAWS**

(c) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(d) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, *pro rata*. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAWS

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(f) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(g) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAWS

or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub- underwriting of the offer;

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAWS

- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under the Cayman Islands laws and subject to the Articles, the Memorandum and Articles may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.5 Meetings of members

(a) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the voting rights held by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAWS

An ordinary resolution, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company, provided that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (i) at least two members;
- (ii) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF THE
COMPANY AND CAYMAN COMPANIES LAWS**

Should a Clearing House or its nominee(s) be a member of the Company, it may appoint proxies or authorise such person or persons as it thinks fit to act as its representative(s), who enjoy rights equivalent to the rights of other members, at any meeting of the Company (including but not limited to general meetings and creditors meetings) or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member, including the right to speak and vote individually on a show of hands or on a poll.

All Shareholders of the Company (including a Shareholder which is a Clearing House (or its nominee(s))) shall have the right to (a) speak at a general meeting and (b) vote at a general meeting except where a Shareholder is required by the Listing Rules to abstain from voting to approve the matter under consideration. Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, in which case any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual general meetings

The Company must hold an annual general meeting for each financial year. Such meeting must be held within six months after the end of the Company's financial year.

(d) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAWS

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(g) Members' requisition for meetings

One or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company may also make a requisition to convene an extraordinary general meeting and/or add resolutions to the agenda of a meeting. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Act (which include all sales and purchases of goods by the Company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAWS

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory, the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The members shall appoint auditor(s) to hold office by an ordinary resolution of the members until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members in general meeting by an ordinary resolution of the members or in any other manner as specified in such ordinary resolution. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF THE
COMPANY AND CAYMAN COMPANIES LAWS**

- (b) all dividends shall be apportioned and paid *pro rata* in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 per cent per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAWS

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is [REDACTED] on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed in accordance with the terms equivalent to the relevant section of the Hong Kong Companies Ordinance) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under the Cayman Islands laws, as summarised in paragraph 3.6 of this Appendix.

2.10 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAWS

- (b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.11 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. COMPANY LAWS OF THE CAYMAN ISLANDS

The Company was incorporated in the Cayman Islands as an exempted company on 18 November 2015 subject to the Cayman Companies Act. Certain provisions of the company laws of the Cayman Islands are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the company laws of the Cayman Islands, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAWS

3.2 Share capital

Under the Cayman Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) any manner provided in section 37 of the Cayman Companies Act;
- (d) writing-off the preliminary expenses of the company; and
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAWS

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the Cayman Islands laws that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAWS

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAWS

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

[•]

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAWS

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands.

3.15 Register of directors and officers

Pursuant to the Cayman Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and, where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands, and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAWS

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by (i) 75% in value of the members or class of members or (ii) a majority in number representing 75 per cent in value of the creditors or class of creditors, in each case depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated, the dissenting member would have no rights comparable to the appraisal rights (that is, the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAWS

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

The Cayman Islands laws do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

3.20 Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (2021 Revision) together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. The Company is required to comply with the economic substance requirements from 1 July 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

4. GENERAL

Harney Westwood & Riegels, the Company's legal adviser on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of the Cayman Companies Act. This letter, together with a copy of the Cayman Companies Act, is available for inspection as referred to in the paragraph headed "Documents delivered to the registrar of companies in Hong Kong and available on display" in Appendix V. Any person wishing to have a detailed summary of the Cayman Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated in the Cayman Islands on November 18, 2015 as an exempted company with limited liability. Our registered office address is at Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, PO Box 32311, Grand Cayman KY1-1209, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in Appendix III to this document.

Our principal place of business in Hong Kong is 31/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance. Ms. Chu Cheuk Ting has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 31/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

As of the date of this document, our Company's head office was located at Yidianyun Building, No. 41 Xixiaokou Road, Haidian District, Beijing, PRC.

2. Changes in Share Capital

On October 12, 2021, the authorized share capital of the Company increased from USD50,000 to USD70,000.

On March 31, 2021, an aggregate of 35,614,748 Shares held by the following Pre-[REDACTED] Investors were repurchased.

Name of Pre-[REDACTED] Investor	Number of Shares repurchased
Matrix	6,636,890
Shunwei	6,184,755
Koala Fund	5,791,445
Hongtai	4,584,755
GIC	3,617,078
Source Code	8,138,425
Seas Investment	601,115
Innoven	60,285

APPENDIX IV STATUTORY AND GENERAL INFORMATION

On 12 October 2021, the Company issued and allotted an aggregate of 42,773,189 Shares to the following Pre-[REDACTED] Investors, Huaqing Yuyi and Huaqing Hongyi.

Name of Shareholder/Pre-[REDACTED] Investor	Number of Shares issued and allotted
Huaqing Hongyi	256,214
Huaqing Yuyi	335,858
Source Code	12,178,930
Matrix	7,744,037
X Adventure	442,859
Shunwei	6,184,755
Koala Fund	5,791,445
GIC	4,724,225
Hongtai	2,459,271
Seas Investment	2,261,835
Zhongguancun Zhongnuo	283,346
Innoven	110,414

On [●], our Company underwent the Share Subdivision whereby each issued and unissued share of nominal value US\$0.0005 each in our Company's authorized share capital was subdivided into 10 Shares of US\$0.00005 nominal value each, such that immediately following such Share Subdivision, our Company's authorized share capital was US\$70,000 divided into: (i) 978,188,830 Ordinary Shares; (ii) 23,999,970 Series Angel Preferred Shares; (iii) 40,000,000 Series A-1 Preferred Shares; (iv) 40,000,000 Series A-2 Preferred Shares; (v) 49,130,020 Series A-3 Preferred Shares; (vi) 68,658,910 Series B Preferred Shares; (vii) 73,734,440 Series C Preferred Shares; (viii) 72,944,410 Series D Preferred Shares; and (ix) 53,343,420 Series E Preferred Shares.

Save as disclosed above, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this document.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

3. Changes in the share capital of our subsidiaries

A summary of the corporate information and the particulars of our subsidiaries is set out in the Accountants' Report as set out in Appendix I to this document.

The following subsidiaries have been incorporated within two years immediately preceding the date of this document:

Name of Subsidiary	Place of Incorporation	Date of Incorporation
Tianjin Huayi Investment Co., Ltd. (天津華易投資有限公司)	PRC	February 8, 2022
Tianjin Huahong Technology Co., Ltd. (天津華竑科技有限公司)	PRC	February 14, 2022
Shanghai All-in Youfu Network Technology Co., Ltd. (上海全傾優服網絡科技有限公司)	PRC	March 31, 2022
Yunshang Yilian (Beijing) Technology Co., Ltd. (雲商易聯(北京)科技有限公司)	PRC	August 4, 2022
Huaxia Edianyun (Beijing) Technology Co., Ltd. (華夏易點雲(北京)科技有限公司)	PRC	October 9, 2022
Tianjin Huahong Technology Co., Ltd. (天津華竑科技有限公司)	PRC	February 14, 2022
Sichuan Edianyun Network Technology Co., Ltd. (四川易點雲網絡技術有限公司)	PRC	January 4, 2023
Sichuan Edian Anying Technology Co., Ltd. (四川易點安盈科技有限公司)	PRC	February 9, 2023
Chengdu Youfu Edianyun Technology Co., Ltd. (成都優服易點雲科技有限公司)	PRC	February 13, 2023

The following changes in the share capital of the subsidiaries of our Company took place during the two years immediately preceding the date of this document:

Changes in the registered capital of Beijing Ediantao:

- (1) On March 11, 2021, Yaochuang Xinghui transferred their registered capital in the amount of RMB66,694.28, RMB66,694.26, RMB33,347.14, RMB47,914.62, RMB28,748.77, RMB66,694.26, RMB66,694.26, RMB100,041.40 and RMB26,677.71 in Beijing Ediantao to Index Capital, Silver Spring Capital Hong Kong Limited, Source Power Capital Hong Kong Limited, Suzhou Yuanqi Equity Investment Center (Limited Partnership) (蘇州源啟股權投資中心(有限合夥)), Jiaying Yuanyu Equity Investment Partnership (嘉興源域股權投資合夥企業(有限合夥)), Matrix Partners China IV Hong Kong Limited, CHOPRA INVESTMENT PTE. LTD., ParmaWay and X Adventure I Hong Kong Limited, respectively; Beijing Shunyiudian transferred their registered capital in the amount of RMB129,726.83, RMB129,726.83, RMB64,863.42, RMB93,198.58, RMB55,919.14,

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

RMB129,726.84, RMB129,726.84, RMB194,590.26 and RMB51,890.74 in Beijing Ediantao to Index Capital Hong Kong Limited, Silver Spring Capital Hong Kong Limited, Source Power, Suzhou Yuanqi Equity Investment Center (Limited Partnership) (蘇州源啟股權投資中心(有限合夥)), Jiaxing Yuanyu Equity Investment Partnership (嘉興源域股權投資合夥企業(有限合夥)), Matrix Partners China IV Hong Kong Limited, CHOPRA INVESTMENT PTE. LTD., ParmaWay and X Adventure, respectively; Tianjin Huaqing Chuangyi Enterprise Management Partnership Limited Partnership (天津華清創易企業管理合夥企業(有限合夥)), Tianjin Huaqing Lianyi Enterprise Management Partnership Limited Partnership (天津華清聯易企業管理合夥企業(有限合夥)), Tianjin Huaqing Xinyi Enterprise Management Partnership Limited Partnership (天津華清信易企業管理合夥企業(有限合夥)), and Tianjin Huaqing Yunyi Enterprise Management Partnership Limited Partnership (天津華清雲易企業管理合夥企業(有限合夥)) transferred their registered capital in the amount of RMB8,646.44, RMB2,048.60, RMB43,866.25 and RMB63,495.72 in Beijing Ediantao to Huaqing Pengyi; Wuhan Yunkun transferred its registered capital in the amount of RMB29,466.42 in Beijing Ediantao to Cloud YDZ Hong Kong Limited.

- (2) On August 16, 2021, the registered capital of Beijing Ediantao was increased from RMB25,926,122.82 to RMB1,028,973,086.34, among which, RMB10,187,852.34 of its registered capital was subscribed by Edianzu HK, and RMB992,859,111.18 of its registered capital was allotted to Index Capital, Source Power Capital Hong Kong Limited, X Adventure, FOUNTAIN CAPITAL HONG KONG LIMITED, Wellspring Capital Hong Kong Limited, Silver Spring Capital Hong Kong Limited, E-Link Capital Hong Kong Limited, Matrix Partners China IV Hong Kong Limited, Shunwei Ventures III (Hong Kong) Limited, CHOPRA INVESTMENT PTE. LTD., ParmaWay, Cloud YDZ Hong Kong Limited and Innoven by way of converting capital reverse into registered capital.
- (3) On October 15, 2021, the registered capital of Beijing Ediantao was decreased from RMB1,028,973,086.34 to RMB16,129,758.40, and all the then existing Pre-[REDACTED] Investors ceased to be shareholders of Beijing Ediantao by retrieving their respective equity interests in Beijing Ediantao as part of the Reorganization, following which, Beijing Ediantao held as to 22.10%, 14.73% and 63.16% by Dr. Ji, Mr. Zhang and Edianzu HK, respectively.
- (4) On December 30, 2021, Dr. Ji and Mr. Zhang transferred their respective registered capital in the amount of RMB3,565,143.64 and RMB2,376,762.42 in Beijing Ediantao to Edianzu HK, respectively, following which, Beijing Ediantao was wholly owned by Edianzu HK.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Changes in the share capital of Huaqing Edian:

- (1) On August 19, 2021, the registered capital of Huaqing Edian was increased from RMB652,850,000 to RMB653,850,000, and was subscribed by Able Cloud Hong Kong Limited;
- (2) On August 27, 2021, Beijing Ediantao and Able Cloud Hong Kong Limited transferred 99.8471% and 0.1529% equity interests they held in Huaqing Edian to Edianzu HK, respectively, and Huaqing Edian was wholly owned by Edianzu HK; and
- (3) On November 25, 2021, the registered capital of Huaqing Edian increased from RMB653,850,000.00 to RMB1,253,850,000, and was subscribed by Ediantzu HK.

Changes in the share capital of Edianzu HK:

On September 21, 2022, the registered capital of Edianzu HK increased from HK\$1 to HK\$1 and US\$268,474,407.92, and was subscribed by the Company.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

Save for the subsidiaries mentioned in the Accountants' Report set out in Appendix I to this document, our Company has no other subsidiaries.

4. Resolutions of the Shareholders of Our Company dated [●]

Written resolutions of our Shareholders were passed on [●], pursuant to which, among others:

- (a) conditional on the conditions of the [REDACTED] as set out in this document being fulfilled:
 - (1) each share of US\$0.0005 in the authorized and issued share capital of the Company was sub-divided into 10 shares of the corresponding class of US\$0.00005 each, such that immediately following such sub-division, the authorised share capital of the Company was US\$70,000 divided into (i) 978,188,830 ordinary Shares; (ii) 23,999,970 Series Angel Preferred Shares; (iii) 40,000,000 Series A-1 Preferred Shares; (iv) 40,000,000 Series A-2 Preferred Shares; (v) 49,130,020 Series A-3 Preferred Shares; (vi) 68,658,910 Series B Preferred Shares; (vii) 73,734,440 Series C Preferred Shares; (viii) 72,944,410 Series D Preferred Shares; and (ix) 53,343,420 Series E Preferred Shares;

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (2) the [REDACTED], the [REDACTED] and the [REDACTED] were approved, and our Directors were authorized to negotiate and agree on the [REDACTED] for, and to allot, issue and approve the transfer of the [REDACTED];
 - (3) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with any Shares or securities convertible into Shares and to make or grant offers, agreements or options which would or might require Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of the [REDACTED], rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by the Company from time to time or, allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association on a specific authority granted by our Shareholders in general meeting, shall not exceed 20% of the aggregate nominal value of the Shares in issue immediately following the completion of the [REDACTED];
 - (4) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to purchase its own Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be [REDACTED] and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the [REDACTED], excluding any Shares which may fall to be issued pursuant to the exercise of the [REDACTED]; and
 - (5) the general unconditional mandate as mentioned in paragraph (3) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (4) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the [REDACTED], excluding any Shares which may fall to be issued pursuant to the exercise of the [REDACTED]); and
- (b) our Company conditionally approved and adopted the Memorandum and Articles of Association with effect from the [REDACTED].

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Each of the general mandates referred to in paragraphs (a)(3), (a)(4) and (a)(5) above will remain in effect until whichever is the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; or
- the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

5. Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this document concerning the repurchase of our own securities.

(a) Provision of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on [●], the Repurchase Mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Share Subdivision and the [REDACTED] (excluding any Shares which may be issued under the [REDACTED]), with such mandate to expire at the earliest of: (i) the conclusion of the next annual general meeting of our Company (unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions); (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(ii) Source of Funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman law, any repurchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the repurchase or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities, which are in the hands of the public, falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

The listing of all repurchased securities (whether on the Stock Exchange or, otherwise) is automatically canceled and the relative certificates must be canceled and destroyed. Under the laws of the Cayman Islands, unless, prior to the repurchase the directors of the Company resolve to hold the shares repurchased by the Company as treasury shares, shares repurchased by the Company shall be treated as canceled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the repurchase of shares will not be taken as reducing the amount of the authorized share capital under Cayman Companies Act.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

(b) Reasons for Repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(c) Funding of Repurchases

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorized by the Articles of Association and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorized by the Articles of Association and subject to Cayman Companies Act, out of capital.

However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as it would, under such circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately following the completion of the Share Subdivision and the [REDACTED], assuming the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Option Plan, could accordingly result in up to approximately [REDACTED] Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to our Company.

No core connected person (as defined in the Listing Rules) has notified us that he/she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is exercised.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) has been entered into by members of our Group within the two years preceding the date of this document and is or may be material:

- (a) [REDACTED].

APPENDIX IV STATUTORY AND GENERAL INFORMATION

2. Intellectual Property Rights









1. Trademarks

(i) Trademarks Registered in PRC



As of the Latest Practicable Date, we had registered the following trademarks in the PRC, which we consider to be or may be material to our business:

No.	Trademark	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/year)
1.	易点租	Beijing Ediantao	36	49258666	06/05/2031
2.	易点租	Beijing Ediantao	42	49252600	20/04/2031
3.	易点租	Beijing Ediantao	37	49251911	27/04/2031
4.	易点租	Beijing Ediantao	35	49232320	20/04/2031
5.	易点云	Beijing Ediantao	9	48478259	13/03/2031
6.	易点云	Beijing Ediantao	35	48478259	13/03/2031
7.	易点云	Beijing Ediantao	42	48478259	13/03/2031
8.	 Edianzu.com	Beijing Ediantao	37	42201840	06/10/2030
9.	QuickPC	Beijing Ediantao	9	33362079	13/10/2029
10.	QUICKPC	Beijing Ediantao	9	32574193	13/06/2029
11.	QUICKPC	Beijing Ediantao	37	26525066	13/10/2028
12.	QUICKPC	Beijing Ediantao	9	26518832	20/09/2029
13.	QUICKPC	Beijing Ediantao	35	26513762	06/10/2028
14.	QUICKPC	Beijing Ediantao	42	26509133	06/10/2028
15.	QUICKPC	Beijing Ediantao	38	26509127	13/10/2028
16.	 易点租 Edianzu.cn	Beijing Ediantao	36	18736956	20/05/2027
17.	华清易点	Huaqing Edian	35	41268339	27/06/2030
18.	华清易点	Huaqing Edian	9	41267955	27/08/2030
19.	易点云	Huaqing Edian	35	41261843	06/09/2030

APPENDIX IV STATUTORY AND GENERAL INFORMATION





No.	Trademark	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/year)
20.	易点云	Huaqing Edian	36	41259586	27/06/2030
21.	易点云	Huaqing Edian	37	41254473	27/06/2030
22.	易点云	Huaqing Edian	42	41248596	27/11/2030
23.	 Edianzu.cn	Beijing Ediantao	42	49258661	13/11/2031
24.	 Edianzu.cn	Beijing Ediantao	9	49252598	13/11/2031
25.	 Edianzu.cn	Beijing Ediantao	36	49242452	13/11/2031
26.	 Edianzu.cn	Beijing Ediantao	37	59391999	13/05/2032
27.	 Edianzu.cn	Beijing Ediantao	37	49232321	13/03/2032
28.	易拍机	Huaqing Edian	35	58875206	20/02/2032
29.	易拍机	Huaqing Edian	9	58870564	20/02/2032
30.		Huaqing Edian	35	58862779	27/10/2032
31.		Huaqing Edian	9	58855383	13/02/2032
32.		Beijing Epandian	35	58170404	06/04/2032

(ii) Trademark Registered in Hong Kong

No.	Trademark	Applicant	Class	Registered Number	Expiry Date (dd/mm/year)
1.	 易点云 Edianyun.com	Beijing Ediantao	9; 35; 42	305648644	06/06/2031
2.	 易点云 Edianyun.com	Beijing Ediantao	9; 35; 42	305648644	06/06/2031

APPENDIX IV STATUTORY AND GENERAL INFORMATION

(iii) *Trademark Application Pending in PRC*

No.	Trademark	Applicant	Class	Application Number	Application Date (dd/mm/year)
1.		Beijing Ediantao	38	18736955	29/12/2015
2.		Beijing Ediantao	9	17231932	17/06/2015
3.		Beijing Epandian	9	58166618	02/08/2021
4.		Beijing Epandian	42	58161480	02/08/2021

2. Patent

As of the Latest Practicable Date, we owned the following patents, which we consider to be or may be material to our business:

No.	Patent	Patentee	Place of registration	Patent Number	Expiry Date (dd/mm/year)
1.	A fan assembly testing board (一種風扇組件測試板)	Beijing Ediantao	China	ZL201721127183.9	03/09/2027
2.	Automatic soot blowing equipment and laptop soot blowing operation workshop (自動吹灰設備以及筆記本吹灰作業車間)	Beijing Ediantao	China	ZL201720972937.4	03/08/2027
3.	A fan assembly thermal dissipation performance testing device (一種風扇組件散熱性能測試裝置)	Beijing Ediantao	China	ZL201721126700.0	03/09/2027
4.	Fixtures for soot blowing and laptop soot blowing equipment (用於吹灰的固定裝置以及筆記本吹灰設備)	Beijing Ediantao	China	ZL201720972910.5	03/08/2027
5.	A notebook power supply automatic test equipment (一種筆記本電源自動測試設備)	Beijing Ediantao	China	ZL202020595876.6	19/04/2030
6.	Air supply system for soot blowing and notebook soot blowing equipment (用於吹灰的供氣系統以及筆記本吹灰設備)	Beijing Ediantao	China	ZL201720972839.0	03/08/2027

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No.	Patent	Patentee	Place of registration	Patent Number	Expiry Date (dd/mm/year)
7.	A keyboard key testing system and trigger device (一種鍵盤按鍵測試系統和觸發裝置)	Beijing Ediantao	China	ZL202020595844.6	19/04/2030
8.	Heat dissipation device and battery testing equipment (散熱裝置和電池檢測設備)	Beijing Ediantao	China	ZL201720939021.9	27/07/2027
9.	Maintenance-friendly case (便於維修的機箱)	Beijing Ediantao	China	ZL202021820290.1	24/08/2030
10.	A keyboard key testing system and device (一種鍵盤按鍵測試系統及裝置)	Huaqing Edian	China	ZL202020240376.0	01/03/2030
11.	A power supply testing system (一種電源測試系統)	Huaqing Edian	China	ZL202020959218.0	28/05/2030
12.	Case (機箱)	Wuhan Yidan Zhikuai Technology Limited (the "Wuhan Edian Zhikuai", 武漢易點致快科技有限公司)	China	ZL201830642423.2	12/11/2028

3. Domain names

As of the Latest Practicable Date, we owned the following domain names, which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner	Expiry Date (dd/mm/year)
1.	edianzu.cn	Beijing Ediantao	13/11/2025
2.	edianyun.com	Beijing Ediantao	15/02/2026
3.	quickpc.cn	Wuhan Edian Zhikuai	07/09/2025
4.	epandian.com	Beijing Epandian	07/06/2023

APPENDIX IV STATUTORY AND GENERAL INFORMATION

4. Copyright

No.	Copyright	Registered Owner	Registered number	Registered date (dd/mm/year)
1.	Edianzau financing management system (易點租融資管理系統)	Beijing Ediantao	2016SR222572	17/08/2016
2.	Edianzu assets management system (易點租資產管理系統)	Beijing Ediantao	2016SR222777	17/08/2016
3.	Edianzu CRM APP Software (易點租CRM APP軟件)	Beijing Ediantao	2019SR0342699	17/04/2019
4.	Edianzu risk control pre-credit system for users (易點租風控用戶預授信系統)	Beijing Ediantao	2016SR222781	17/08/2016
5.	Edianzu equipment management tool software (PC side) (易點租設備管理工具軟件(PC端))	Beijing Ediantao	2020SR1901819	28/12/2020
6.	Edianzu mall system equipment inventory and ledger management software (易點租商城系統設備盤點與台賬管理軟件)	Beijing Ediantao	2019SR1324986	10/12/2019
7.	Edianzu customer success system (PC side) (易點租客戶成功系統(PC端))	Beijing Ediantao	2020SR1902023	28/12/2020
8.	Edianzu production work order management system (易點租生產工單管理系統)	Beijing Ediantao	2016SR225015	18/08/2016
9.	Edianzu on-site inspection APP software (易點租實地檢驗APP軟件)	Beijing Ediantao	2019SR0257323	18/03/2019
10.	EdianzuYipaiji auction system (易點租易拍機拍賣系統)	Beijing Ediantao	2019SR0256833	18/03/2019
11.	Edianzu call center system (易點租呼叫中心系統)	Huaqing Edian	2019SR0076235	22/01/2019
12.	Edianzu mall search management backend system (易點租商城搜索管理後台系統)	Huaqing Edian	2019SR0080360	23/01/2019
13.	Edianzu group account placement audit system (易點租集團賬號下單審核系統)	Huaqing Edian	2019SR0080319	23/01/2019

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No.	Copyright	Registered Owner	Registered number	Registered date (dd/mm/year)
14.	Yipaiji APP software (易拍機APP軟件)	Huaqing Edian	2019SR1325868	10/12/2019
15.	Edianzu document storage warehouse software (PC side) (易點租單據存儲倉庫軟件(PC 端))	Huaqing Edian	2020SR1854925	18/12/2020
16.	Edianzu customer core workbench software (易點租客戶核心工作台軟件)	Huaqing Edian	2020SR1887362	24/12/2020
17.	Edianzu operation management shipping system (易點租運營 管理發貨系統)	Huaqing Edian	2019SR0078654	23/01/2019
18.	Edianzu collaborative supply chain system (易點租協同供 應鏈系統)	Huaqing Edian	2016SR083360	21/04/2016
19.	Edianzu enterprise information system (易點租企業情報系統)	Huaqing Edian	2019SR0078864	23/01/2019
20.	Edianzu credit management system (易點租授信管理系統)	Huaqing Edian	2016SR080206	19/04/2016
21.	Edianzu mall user management platform (易點租商城用戶管 理平台)	Huaqing Edian	2016SR080186	19/04/2016
22.	Edianzu mall operation management platform (易點 租商城運營管理平台)	Huaqing Edian	2016SR080199	19/04/2016
23.	Edianzu tendering and procurement platform system (易點租招投標採購平台系統)	Huaqing Edian	2016SR089441	28/04/2016
24.	Edianzu on-site inspection system (易點租實地檢驗系統)	Huaqing Edian	2019SR0080406	23/01/2019
25.	Edianzu channel management system (易點租渠道管理系統)	Huaqing Edian	2019SR0080333	23/01/2019
26.	Edianzu call center system (易點租呼叫中心系統)	Huaqing Edian	2019SR0076235	22/01/2019
27.	Epdian fixed asset management system (易盤點固定資產管理系統)	Beijing Epdian	2019SR0027447	09/01/2019

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors’ service contracts and appointment letters

(a) *Executive Directors*

Each of our executive Directors entered into a service contract with our Company on [●] pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from the [REDACTED] or until the third annual general meeting of our Company since the [REDACTED] (whichever ends earlier). Either party has the right to give not less than three months’ written notice to terminate the agreement.

The executive Directors are not entitled to receive annual salaries in their capacities as executive Directors under their respective service contracts.

(b) *Independent non-executive Directors*

Each of the independent non-executive Directors entered into an appointment letter with our Company on [●]. The initial term for their appointment letters shall be three years from the date of this document or until the third annual general meeting of the Company since the [REDACTED], whichever ends earlier, (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months’ prior notice in writing. Details of the Company’s remuneration policy is described in section headed “Directors and Senior Management – Remuneration of the Directors and Senior Management.”

2. Remuneration of Directors

- (a) Save as disclosed above, none of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).
- (b) During the year ended December 31, 2020, 2021 and 2022, the total remuneration including salaries and bonuses, retirement benefits scheme contributions and/or share-based payments of our Directors were approximately RMB58.3 million, RMB6.4 million and RMB7.6 million, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in Appendix I to this document.
- (c) Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Group to our Directors for the financial year ending December 31, 2023 is expected to be approximately RMB4.4 million.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (d) No remuneration was paid to our Directors or the five highest-paid individuals as an inducement to join, or upon joining, our Group. During the Track Record Period, no compensation was paid to, or has been received by, our Directors, former Directors or the five highest-paid individuals for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.
- (e) Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

3. Disclosure of interests

- (a) *Interests and short positions of our Directors in the share capital of our Company and its associated corporations following completion of the Share Subdivision and the [REDACTED]*

Immediately following completion of the Share Subdivision and the [REDACTED] (assuming that the [REDACTED] is not exercised and no Shares are issued pursuant to the Pre-[REDACTED] Option Plan), the interests or short positions of our Directors and chief executives in the Shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

- (i) *Interest in Shares*

Name of Director or chief executive	Nature of interest	Number of securities after the Share Subdivision and the [REDACTED]	Approximate percentage of interest in our Company immediately after the Share Subdivision and the [REDACTED] ⁽¹⁾
Dr. Ji	Interest in controlled corporation ⁽²⁾	77,372,780	[REDACTED]%
	Interests held jointly with other person ⁽³⁾	57,502,580	[REDACTED]%

APPENDIX IV STATUTORY AND GENERAL INFORMATION

Name of Director or chief executive	Nature of interest	Number of securities after the Share Subdivision and the [REDACTED]	Approximate percentage of interest in our Company immediately after the Share Subdivision and the [REDACTED]⁽¹⁾
Mr. Zhang	Interest in controlled corporation ⁽⁴⁾	51,581,860	[REDACTED]%
	Interests held jointly with other person ⁽³⁾	83,293,500	[REDACTED]%
Mr. Zheng Tao	Beneficial owner	3,761,360 ⁽⁵⁾	[REDACTED]%
	Interest in controlled corporation	592,072 ⁽⁷⁾	[REDACTED]%
Mr. Xiang Zheng	Beneficial owner	2,338,860 ⁽⁶⁾	[REDACTED]%

Notes:

- (1) The calculation is based on the total number of [REDACTED] Shares in issue immediately after completion of the Share Subdivision and the [REDACTED] (assuming that the [REDACTED] is not exercised and no Shares are issued pursuant to the Pre-[REDACTED] Option Plan).
- (2) Dr. Ji Entity, which is wholly owned by Dr. Ji, is interested in 77,372,780 Shares of the Company immediately following the completion of the Share Subdivision. As such, Dr. Ji is deemed to be interested in the Shares held by Dr. Ji Entity.
- (3) Mr. Zhang, Mr. Zhang Entity, Huaqing Hongyi and Huaqing Yuyi have confirmed that they have been acting in concert with Dr. Ji and Dr. Ji Entity under the Mr. Zhang and Huaqing Proxy Arrangement dated February 21, 2022. Therefore, Dr. Ji, Dr. Ji Entity, Mr. Zhang, Mr. Zhang Entity, Huaqing Hongyi and Huaqing Yuyi constitute the Single Largest Shareholder Group, and each of Dr. Ji, Dr. Ji Entity, Mr. Zhang, Mr. Zhang Entity, Huaqing Hongyi and Huaqing Yuyi is deemed to be interested in the Shares held by other members of the Single Largest Shareholder Group.
- (4) Mr. Zhang Entity, which is wholly owned by Mr. Zhang, is interested in 51,581,860 Shares of the Company immediately following the completion of the Share Subdivision. As such, Mr. Zhang is deemed to be interested in the Shares held by Mr. Zhang Entity.
- (5) Being the 3,761,360 Shares granted to Mr. Zheng Tao under the Pre-[REDACTED] Option Plan.
- (6) Being the 2,338,860 Shares granted to Mr. Xiang Zheng under the Pre-[REDACTED] Option Plan.
- (7) Huaqing Yuyi and Huaqing Hongyi are interested in 3,358,580 Shares and 2,562,140 Shares of the Company, respectively, immediately following the completion of the Share Subdivision. The general partner of Huaqing Yuyi is Huaqing Kuaiyi, which is owned as to 50% by Zheng Tao. Huaqing Kuaiyi is also the general partner of Huaqing Hongyi. Thus, Mr. Zheng Tao is deemed to be interested in Shares held by Huaqing Yuyi and Huaqing Hongyi.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(b) Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO

For information on the persons who will, immediately following the completion of the [REDACTED], having or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, See "Substantial Shareholders".

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the [REDACTED], be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such Capital.

4. Disclaimers

Save as disclosed in this document:

- (a) none of the Directors or any experts named in the paragraph headed "D. Other Information – 4. Consents of Experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (b) none of the Directors or any experts named in the paragraph headed "D. Other Information – 4. Consents of Experts" below is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;
- (c) none of our Directors or any of experts named in the paragraph headed "D. Other Information – 4. Consents of Experts" below has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (d) taking no account of any Shares which may be taken up under the [REDACTED], so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the [REDACTED], have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group;

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (e) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are [REDACTED] thereon; and
- (f) so far as is known to our Directors, none of our Directors, their respective close associates or our Shareholders who are interested in more than 5% of the share capital of our Group has any interests in the five largest customers or the five largest suppliers of our Group.

D. PRE-[REDACTED] OPTION PLAN

The following is a summary of the principal terms of the Pre-[REDACTED] Option Plan as adopted, confirmed and ratified by our Shareholders on February 25, 2022 to achieve strategic goals and fuel the development of our Company by providing our Directors, senior management and employees. The terms of the Pre-[REDACTED] Option Plan are not subject to the provisions of Chapter 17 of the Listing Rules.

We have applied to the Stock Exchange and the SFC, respectively for, (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix IA to the Listing Rules; and (ii) an exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. See "Waivers from Compliance with the Listing Rules and Exemptions from compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance – Waiver and Exemption in relation to the Pre-[REDACTED] Option Plan."

(a) Participants

Those who may be eligible to participate in the Pre-[REDACTED] Option Plan (the "Eligible Participants") include any employee, director or advisor who has established and maintained employment or service relationship with any member of the Group, or any past employee of member of the Group who was considered by the Board to be eligible for being granted with options under the Pre-[REDACTED] Option Plan, or any other persons who devote substantially all of their time and efforts to the business, management and operation of any member of the Group, as determined by the Board;

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(b) Administration

The Pre-[REDACTED] Option Plan is administered by the Board or a committee (the "**Committee**") authorized by the Board who has the authority to grant or amend options under the Pre-[REDACTED] Option Plan to Eligible Participants other than any of the Committee members. Any grant or amendment of options under the Pre-[REDACTED] Option Plan to any Committee member (if any) requires an affirmative vote of a majority of the Board members who are not on the Committee;

(c) Grant of options

An offer of the grant of the options under the Pre-[REDACTED] Option Plan shall be made to the Eligible Participant by an offer letter (the "**Offer Letter**"), subject to such modification as the Board may from time to time determine. The Offer Letter shall remain open for acceptance by the relevant Eligible Participant for a period of 10 days from the date upon which it is made. The options under the Pre-[REDACTED] Option Plan shall be deemed to have been granted and accepted by the Eligible Participant and to have taken effect, subject to any suspension, modification, or cancellation as the Board may from time to time determine, when the acceptance form is completed, signed and returned by the Eligible Participant, and is received by the Company at its principal office or such other address as specified in the Offer Letter on or before the 10th day after the option is offered to such Eligible Participant (the "**Expiration Date**"). To the extent that the offer of the grant of the option under the Pre-[REDACTED] Option Plan is not accepted by the Expiration Date it will be deemed to have been irrevocably declined.

(d) Option Period

In respect of an option, the option period shall commence on the acceptance date (the "**Acceptance Date**") on which an option is accepted or deemed to be accepted by the relevant Eligible Participant in accordance with item (c) above, and expire on the Expiration Date;

(e) Vesting Schedule

The vesting schedule shall be provided under the Offer Letter to each Eligible Participant who accepts the offer of the grant of an option in accordance with the terms of the Pre-[REDACTED] Option Plan (the "**Grantee**") as determined by the Board on the date of grant of such option.

(f) Exercise Price

The exercise price in relation to options under the Pre-[REDACTED] Option Plan shall be determined by the Board in good faith and shall be specified in the Offer Letter.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(g) Exercise of options

The option, to the extent then vested, shall only become exercisable upon the [REDACTED] on which dealings in the Shares commence on an internationally recognized stock exchange (including the Stock Exchange). Subject to the satisfaction of the exercise conditions, the options which have vested shall be exercised in whole or in part by the Grantee (or by his or her legal personal representatives) through giving notice in writing to the Company in required format (the "**Exercise Notice**") by stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each Exercise Notice must be accompanied by a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given. The Company is not obligated to issue and allot shares to the Grantee upon the exercise of the option or issue the share certificates in respect to relevant Shares being so allotted until such remittance is fully received by the Company. If such remittance is not fully received by the Company within 60 days from the receipt of the Exercise Notice, the exercise of the option or part of it is deemed to be waived by the Grantee (the "**Waived Option**"). Whether the Waived Option could be exercised again by the Grantee during the Option Period shall be determined by the Board in its absolute discretion.

(h) Transferability

An Option shall be personal to the Grantee and shall not be assignable. Except as permitted by the Board in advance, no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option under the Pre-[REDACTED] Option Plan or attempt so to do. Any breach of the foregoing shall entitle the Company (but the Company is not obligated): (1) to cancel and cease vesting any Option or any part thereof granted to such Grantee which is unvested, (2) at any time and from time to time to repurchase from the Grantee all or any part of the Shares allotted to him upon the exercise of an Option at the original price the Grantee has paid, and (3) the vested Option or any part thereof shall automatically lapse (to the extent not already exercised).

(i) Maximum number of shares subject to the Pre-[REDACTED] Option Plan

The maximum number of shares underlying the options under the Pre-[REDACTED] Option Plan shall be 4,554,060 Shares (being 45,540,600 Shares immediately following the completion of the Share Subdivision), representing 8.18% of the total issued Shares of our Company immediately before the [REDACTED] and [REDACTED]% immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Option Plan).

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(j) Expiration of Option

An option, (i) if vested, shall automatically lapse (to the extent not already exercised), or (ii) if unvested, shall automatically be cancelled and cease vesting, in each case on the earliest of:

- (a) subject to the exercise conditions, the Expiration Date;
- (b) the expiration of deciding period for the Eligible Participant when general offer is made to all Shareholders or the Shareholders' meeting considers resolution to voluntarily wind-up the Company, as provided under the Pre-[REDACTED] Option Plan;
- (c) subject to the exercise conditions, the date of commencement of the winding-up of the Company;
- (d) the date on which the Grantee ceases to be an Eligible Participant of any member of the Group by the termination of his or her employment with any member of the Group under the circumstances as provided under the Pre-[REDACTED] Option Plan;
- (e) the date on which the Grantee ceases to be an Eligible Participant due to his/her unilateral termination of the employment agreement between the Grantee and any member of the Group;
- (f) the date on which the Grantee commits a breach of certain requirements as provided under the Pre-[REDACTED] Option Plan.

(k) Alteration of the Pre-[REDACTED] Option Plan

The Pre-[REDACTED] Option Plan shall be altered in any respect by the resolution of the Board (including the affirmative votes from the investor directors as defined in the shareholders agreement); provided that in principal no such alteration shall operate to adversely affect any option granted or agreed to be granted prior to such alteration. In the event that the Shares are listed, or proposed to be listed, on an internationally recognized stock exchange (including the Stock Exchange), the Pre-[REDACTED] Option Plan may be altered by resolution of the Board with the necessary affirmative votes from the investor directors in accordance with the Articles of Association of the Company as amended from time to time to as reasonably required to consummate the [REDACTED] or as necessary for the Pre-[REDACTED] Option Plan to comply with the listing rules of the relevant exchange.

(l) Termination

The Company, by ordinary resolution of the Board, may at any time terminate the operation of the Pre-[REDACTED] Option Plan; and in such event no further options will be offered, but in all other respects the provisions of the Pre-[REDACTED] Option Plan shall remain in force and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Pre-[REDACTED] Option Plan.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

(m) Outstanding Grants

As of the Latest Practicable Date, options to subscribe for an aggregate of [3,039,765] Shares (being [30,397,650] Shares immediately following the completion of the Share Subdivision) under the Pre-[REDACTED] Option Plan have been granted to a total of [478] Eligible Participants by our Company under the Pre-[REDACTED] Option Plan, representing 5.46% of the total issued Shares of our Company immediately before the [REDACTED] and [REDACTED]% immediately after the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and no Shares are issued pursuant to the Pre-[REDACTED] Option Plan). As of the Latest Practicable Date, no option granted under the Pre-[REDACTED] Option Plan has been exercised. The Company will not grant further options under the Pre-[REDACTED] Option Plan after the [REDACTED].

Below are the details of options granted to our Directors, senior managers, other connected persons and Grantees who have been granted options to subscribe for 100,000 Shares (being 1,000,000 Shares immediately following the completion of the Share Subdivision) or above under the Pre-[REDACTED] Option Plan which are outstanding:

Grantee	Position/ Connected relationship	Address	Exercise Price (USD per option)	Date of Grant	Number of outstanding Shares for the options granted immediately following the Completion of the Share Subdivision (Note 1)	Expiration Date of the options	Approximate percentage of enlarged issued share capital of our Company immediately after completion of the [REDACTED] (Note 2)	Vesting Schedule (Note 3)
<i>Director and Senior management</i>								
Zheng Tao (鄭韜)	Executive Director and vice president of the Company	Room 1205, Building 945, Zhongguancun Southeast Community, Haidian District, Beijing, PRC	0.0005 to 9.9742	June 1, 2018 to September 1, 2022	3,761,360	June 1, 2028 to September 1, 2032	[REDACTED]%	a; b; c; d;
Xiang Zheng (向征)	Executive Director and chief financial officer of the Company	No. 1-8, Jingfeng Garden, 1 Xindian Road, Chaoyang District, Beijing, PRC	0.0005 to 9.9742	August 16, 2021	2,338,860	August 16, 2031	[REDACTED]%	a
<i>Other connected persons</i>								
Zhang Jun (章君)	Director and manager of Beijing Ebandian	No. 167-1, Hexin Village, Qixing Street, Xinchang City, Zhejiang Province, PRC	4.4234 to 9.9742	March 1, 2019 to October 1, 2021	237,970	March 1, 2029 to October 1, 2031	[REDACTED]%	a; c
Xiang Wang (向往)	Director of Beijing Ediantao	No. 435-1, Donggang Village, Hongshan District, Wuhan City, Hubei Province, PRC	1.25 to 9.9742	November 1, 2016 to July 1, 2022	2,951,320	November 1, 2026 to July 1, 2032	[REDACTED]%	a;

APPENDIX IV STATUTORY AND GENERAL INFORMATION

Grantee	Position/ Connected relationship	Address	Exercise Price (USD per option)	Date of Grant	Number of outstanding Shares for the options granted immediately following the Completion of the Share Subdivision (Note 1)	Expiration Date of the options	Approximate percentage of enlarged issued share capital of our Company immediately after completion of the [REDACTED] (Note 2)	Vesting Schedule (Note 3)
<i>Grantees who have been granted options to subscribe for 100,000 Shares (being 1,000,000 Shares immediately following the completion of the Share Subdivision) or above</i>								
Yang Fan (楊帆)	Director of product operation	No. 101, Unit 2, Building 6, Taixiang Community, No. 36 Kechuang Road, Yanta District, Xi'an City, Shanxi Province, PRC	0.0005 to 9.9742	February 1, 2018 to July 1, 2022	1,362,800	February 1, 2028 to July 1, 2032	[REDACTED]%	a
Geng Chaofeng (耿超鋒)	Vice president of organization department	No. 33 North Fourth Ring Road, Chaoyang District, Beijing City, PRC	8.294	July 1, 2020	1,408,400	July 1, 2030	[REDACTED]%	a
Tong Jian (佟劍)	Senior research and development director	No. 60 Zhengyang Street, Hengzhou Town, Quyong County, Baoding City, Hebei Province, PRC	0.0005 to 9.9742	September 1, 2021 to July 1, 2022	1,338,800	September 1, 2031 to July 1, 2032	[REDACTED]%	a
Lin Hao (林浩)	Vice president of hardware product	Unit 403, Building 4, Haijing Garden, No. 11 Tianqi Road, Gulou District, Fuzhou City, Fujian Province, PRC	9.9742	January 1, 2022	1,440,600	January 1, 2032	[REDACTED]%	a

As of the Latest Practicable Date, other than the [four] members of our Directors, senior management and other connected persons disclosed above, no options were granted to any Directors, senior management or connected persons of the Group under the Pre-[REDACTED] Option Plan.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

Save as the [8] Grantees disclosed above, the remaining [470] Grantees who are not members of our Directors, senior management or other connected person of the Company have been granted options to subscribe for less than 100,000 Shares (being 1,000,000 Shares immediately following the completion of the Share Subdivision) under the Pre-[REDACTED] Option Plan which are outstanding to subscribe for a total of [1,555,754] Shares (being [15,557,540] Shares immediately following the Completion of the Share Subdivision), representing approximately [REDACTED]% of the issued share capital of our Company upon the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and no Shares are issued pursuant to the Pre-[REDACTED] Option Plan). Please refer to below table for details.

Range of outstanding Shares for options granted immediately following the Completion of the Share Subdivision <i>(Note 1)</i>	Total number of grantees	Total number of outstanding Shares for options granted <i>(Note 1)</i>	Exercise Price <i>(USD per option)</i>	Date of grant	Expiration Date of the options	Approximate percentage of enlarged issued share capital of our Company immediately after completion of the [REDACTED] <i>(Note 2)</i>	Vesting Schedule <i>(Note 3)</i>
10 to 9,990	251	1,250,530	0.0005 to 9.9742	February 1, 2018 to September 1, 2022	February 1, 2028 to September 1, 2032	[REDACTED]%	a; c
10,000 to 99,990	196	5,945,080	0.0005 to 9.9742	February 1, 2017 to September 1, 2022	February 1, 2027 to September 1, 2032	[REDACTED]%	a; c
100,000 to 999,990	23	8,361,930	0.0005 to 9.9742	February 1, 2017 to September 1, 2022	February 1, 2027 to September 1, 2032	[REDACTED]%	a; c; e; f

Note 1: excluding options forfeited or cancelled.

Note 2: calculated based on [REDACTED] Shares in issue immediately after completion of the Share Subdivision and the [REDACTED] (assuming that the [REDACTED] is not exercised and no Shares are issued pursuant to the Pre-[REDACTED] Option Plan).

APPENDIX IV STATUTORY AND GENERAL INFORMATION

Note 3: please refer to different categories of vesting schedules below.

Category	Vesting Schedule
a	25% of options granted under the Pre-[REDACTED] Option Plan shall be vested upon each anniversary of grant date during a four-year term.
b	100% of options granted under the Pre-[REDACTED] Option Plan shall be vested upon first anniversary since the grant date.
c	100% of options granted under the Pre-[REDACTED] Option Plan shall be vested upon 30th day since the grant date.
d	Each of 50% of options granted under the Pre-[REDACTED] Option Plan shall be vested upon the third and fourth anniversary of grant date, respectively.
e	50% of options granted under the Pre-[REDACTED] Option Plan shall be vested upon each anniversary of grant date during a two-year term.
f	One in seven of options granted under the Pre-[REDACTED] Option Plan shall be vested upon first anniversary since the grant date, following which, the remaining options shall be vested upon each anniversary of grant date during a three-year term.

Assuming the full exercise of the options granted under the Pre-[REDACTED] Option Plan, the shareholding of the Shareholders immediately after the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised) would be diluted by approximately [REDACTED]%.

Application has been made to the Stock Exchange for the [REDACTED] of and permission to deal in the [4,554,060] Shares that were granted and will be allotted and issued pursuant to the Pre-[REDACTED] Option Plan.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

Save as disclosed in this document and so far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

3. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Stock Exchange for the [REDACTED] of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the [REDACTED] (including any Shares which may fall to be issued pursuant to the exercise of the [REDACTED] and the Pre-[REDACTED] Option Plan).

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fee in relation to the [REDACTED] is US\$1.0 million.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

4. Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) of regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants and Registered Public Interest Entity Auditors
Shihui Partners	PRC legal advisor
Harney Westwood & Riegels	Cayman Islands legal advisor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

As of the Latest Practicable Date, none of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

5. [REDACTED]

[REDACTED]

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

6. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

7. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

8. Preliminary Expenses

We did not incur any material preliminary expenses.

9. Miscellaneous

- (a) Save as disclosed in this document, within the two years immediately preceding the date of this document:
- (i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.
- (b) Save as disclosed in this document:
- (i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
 - (ii) no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
 - (iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (c) None of our Directors or proposed Directors or experts (as named in this document), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.
- (d) We do not have any promoter.
- (e) No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document within the two years immediately preceding the date of this document.
- (f) No equity or debt securities of any company within our Group is presently listed on any stock exchange or traded on any trading system nor is any listing or permission to deal being or proposed to be sought.
- (g) Our Company has no outstanding convertible debt securities or debentures.
- (h) There is no arrangement under which future dividends are waived or agreed to be waived.
- (i) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document.

APPENDIX V

**DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES IN HONG KONG AND AVAILABLE ON DISPLAY**

FURTHER INFORMATION ABOUT OUR GROUP

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) a copy of the [REDACTED];
- (b) the written consents referred to under the paragraph headed "Statutory and General Information – E. Other Information – 4. Consents of Experts" in Appendix IV to this document;
- (c) copies of the material contracts referred to in the paragraph headed "Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix IV to this document; and
- (d) a copy of the statement of particulars of the [REDACTED].

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our website at <http://edianyun.com> during a period of 14 days from the date of this document:

- (a) the Memorandum of Associations and the Articles of Association;
- (b) the Accountants' Report of our Group from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this document;
- (c) the report on the unaudited [REDACTED] financial information of our Group from Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this document;
- (d) the audited consolidated financial statements of our Group for the three financial years ended December 31, 2020, 2021 and 2022;
- (e) the PRC legal opinion issued by Shihui Partners, our legal advisor as to PRC law, in respect of certain general corporate matters and property interests of our Group;
- (f) the letter of advice prepared by Harney Westwood & Riegels, our legal advisors as to Cayman Islands law, summarizing certain aspects of the Cayman Companies Act referred to in Appendix III to this document;
- (g) the Cayman Companies Act;

APPENDIX V

**DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES IN HONG KONG AND AVAILABLE ON DISPLAY**

- (h) the report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in the section headed "Industry Overview" in this document;
- (i) the written consents referred to under the paragraph headed "Statutory and General Information – E. Other Information – 4. Consents of Experts" in Appendix IV to this document;
- (j) the material contracts referred to in "Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix IV to this document;
- (k) the service contracts with our Directors referred to in "Statutory and General Information – C. Further Information about Our Directors – 1. Particulars of Directors' service contracts and appointment letters" in Appendix IV to this document;
- (l) the terms of the Pre-[REDACTED] Option Plan; and
- (m) a copy of the statement of particulars of the [REDACTED].

DOCUMENT AVAILABLE FOR INSPECTION

A copy of a list of Grantees under the Pre-[REDACTED] Option Plan, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at the Company's principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document.