



Xuan Wu Cloud Technology Holdings Limited

玄武云科技控股有限公司

(Incorporated in Cayman Islands with limited liability)

Stock code: 2392



# GLOBAL OFFERING

Sole Sponsor, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



# IMPORTANT

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



## Xuan Wu Cloud Technology Holdings Limited 玄武云科技控股有限公司

(Incorporated in Cayman Islands with limited liability)

### GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	34,390,500 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	3,440,000 Shares (subject to reallocation)
Number of International Offer Shares	:	30,950,500 Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	:	HK\$6.91 per Offer Share (payable in full on application in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005%)
Nominal value	:	US\$0.0001 per Share
Stock code	:	2392

Sole Sponsor, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



Joint Lead Manager



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

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies and Documents on Display" in Appendix V to this prospectus, 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 of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Representative, on behalf of the Underwriters, and us on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 30 June 2022 (Hong Kong time) and, in any event, not later than Wednesday, 6 July 2022 (Hong Kong time). The Offer Price will be not more than HK\$6.91 per Offer Share and is currently expected to be not less than HK\$4.93 per Offer Share unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$6.91 for each Hong Kong Offer Share together with a brokerage of 1%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined should be lower than HK\$6.91 per Offer Share.

The Representative, for itself and on behalf of the Underwriters, may, with our consent, reduce the number of Offer Shares in the Global Offering and/or the indicative Offer Price Range below that stated in this prospectus (which is HK\$4.93 to HK\$6.91) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares in the Global Offering and/or the indicative Offer Price Range will be published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [cloud.wxchina.com](http://cloud.wxchina.com) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. If, for any reason, the Offer Price is not agreed by Wednesday, 6 July 2022 (Hong Kong time) between the Representative, for itself and on behalf of the Underwriters, and the Company, the Global Offering (including the Hong Kong Public Offering) will lapse and will not proceed. Please refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for further details.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors".

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Representative (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on that day that trading in the Shares commences on the Stock Exchange. Please refer to the paragraph headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus for further details.

The Offer Shares 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 not be offered, sold, pledged or transferred within the United States. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

#### ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and our Company ([cloud.wxchina.com](http://cloud.wxchina.com)). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

24 June 2022

## IMPORTANT

### IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the “HKEXnews > New Listings > New Listing Information” section, and our website at [cloud.wxchina.com](http://cloud.wxchina.com). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online through the **White Form eIPO** service at [www.eipo.com.hk](http://www.eipo.com.hk); or
- (2) apply through CCASS EIPO service to electronically cause HKSCC Nominees to apply on your behalf, including by:
  - (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
  - (ii) (if you are an existing CCASS Investor Participant) giving electronic application instructions through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar and **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited, at +852 2862 8600 on the following dates:

Friday, 24 June 2022	—	9:00 a.m. to 9:00 p.m.
Monday, 27 June 2022	—	9:00 a.m. to 9:00 p.m.
Tuesday, 28 June 2022	—	9:00 a.m. to 9:00 p.m.
Wednesday, 29 June 2022	—	9:00 a.m. to 9:00 p.m.
Thursday, 30 June 2022	—	9:00 a.m. to 12:00 noon

## IMPORTANT

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary, broker or agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus for further details on the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **White Form eIPO** service or the CCASS EIPO service must be for a minimum of 500 Hong Kong Offer Shares and in one of the numbers set out in the table.

You are required to pay the amount next to the number you select.

**Xuan Wu Cloud Technology Holdings Limited (Stock Code: 2392)**  
(HK\$6.91 per Hong Kong Offer Share)

**NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS**

No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$
500	3,489.82	7,000	48,857.50	50,000	348,982.13	700,000	4,885,749.71
1,000	6,979.65	8,000	55,837.13	60,000	418,778.54	800,000	5,583,713.95
1,500	10,469.47	9,000	62,816.78	70,000	488,574.98	900,000	6,281,678.19
2,000	13,959.28	10,000	69,796.43	80,000	558,371.40	1,000,000	6,979,642.44
2,500	17,449.11	15,000	104,694.64	90,000	628,167.82	1,100,000	7,677,606.68
3,000	20,938.93	20,000	139,592.85	100,000	697,964.25	1,200,000	8,375,570.92
3,500	24,428.75	25,000	174,491.06	200,000	1,395,928.48	1,300,000	9,073,535.16
4,000	27,918.57	30,000	209,389.28	300,000	2,093,892.73	1,400,000	9,771,499.41
4,500	31,408.39	35,000	244,287.48	400,000	2,791,856.98	1,500,000	10,469,463.66
5,000	34,898.21	40,000	279,185.69	500,000	3,489,821.22	1,600,000	11,167,427.89
6,000	41,877.85	45,000	314,083.92	600,000	4,187,785.46	1,720,000 <sup>(1)</sup>	12,004,984.99

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

## EXPECTED TIMETABLE<sup>(1)</sup>

Hong Kong Public Offering commences . . . . . 9:00 a.m. on  
Friday, 24 June 2022

Latest time for completing electronic applications under  
**White Form eIPO** service through the designated  
website [www.eipo.com.hk](http://www.eipo.com.hk)<sup>(2)</sup> . . . . . 11:30 a.m. on  
Thursday, 30 June 2022

Application lists of the Hong Kong  
Public Offering open<sup>(3)</sup> . . . . . 11:45 a.m. on  
Thursday, 30 June 2022

Latest time for (a) completing payment for  
**White Form eIPO** applications by effecting internet banking  
transfer(s) or PPS payment transfer(s) and (b) giving  
**electronic application instructions** to HKSCC<sup>(4)</sup> . . . . . 12:00 noon on  
Thursday, 30 June 2022

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close<sup>(3)</sup> . . . . . 12:00 noon on  
Thursday, 30 June 2022

Expected Price Determination Date<sup>(5)</sup> . . . . . Thursday, 30 June 2022

(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [cloud.wxchina.com](http://cloud.wxchina.com) on or before . . . . . Thursday, 7 July 2022

(2) An announcement of results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [cloud.wxchina.com](http://cloud.wxchina.com)<sup>(6)</sup> (for details, please refer to the paragraph headed "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" in this prospectus) from . . . . . Thursday, 7 July 2022

## EXPECTED TIMETABLE<sup>(1)</sup>

Results of allocations in the Hong Kong Public Offering will be available at [www.iporesults.com.hk](http://www.iporesults.com.hk) (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function from ..... 8:00 a.m. on Thursday, 7 July 2022 to 12:00 midnight on Wednesday, 13 July 2022

Results of allocations in the Hong Kong Public Offering to be available at telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from ..... Thursday, 7 July 2022 to Tuesday, 12 July 2022 (except Saturday, Sunday and public holiday in Hong Kong)

Share certificates in respect of wholly or partially successful applications to be dispatched/collected or deposited into CCASS on or before<sup>(7)(9)</sup> ..... Thursday, 7 July 2022

White Form e-Refund payment instructions/refund cheques in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications to be dispatched/collected on or before<sup>(8)(9)</sup> ..... Thursday, 7 July 2022

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on ..... Friday, 8 July 2022

**The application for the Hong Kong Offer Shares will commence on Friday, 24 June 2022 through Thursday, 30 June 2022. Such time period is longer than the normal market practice of 3.5 days. The application monies (including brokerage, SFC transaction levy, Stock Exchange trading fee and FRC transaction levy) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Thursday, 7 July 2022. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Friday, 8 July 2022.**

### Notes:

- (1) All dates and times refer to Hong Kong local dates and time, except as otherwise stated.
- (2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

## EXPECTED TIMETABLE<sup>(1)</sup>

- (3) If there is/are a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 30 June 2022, the application lists will not open or close on that day. For details, please refer to the paragraph headed “How to Apply for Hong Kong Offer Shares — 10. Effect of bad weather and/or Extreme Conditions on the opening of the application lists” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the paragraph headed “How to Apply for Hong Kong Offer Shares — 6. Applying through CCASS EIPO service” in this prospectus.
- (5) The Price Determination Date is expected to be on or around Thursday, 30 June 2022 and, in any event, not later than Wednesday, 6 July 2022. If, for any reason, the Offer Price is not agreed between the Representative (for itself and on behalf of the Underwriters) and us by Wednesday, 6 July 2022, the Global Offering will not proceed and will lapse.
- (6) None of the websites or any of the information contained on the websites forms part of this prospectus.
- (7) Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the paragraph headed “Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination” in this prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.
- (8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.
- (9) Applicants who have applied for Hong Kong Offer Shares through CCASS EIPO service should refer to the paragraph headed “How to Apply for Hong Kong Offer Shares — 6. Applying through CCASS EIPO service” in this prospectus for details.

Applicants who have applied through the **White Form eIPO** service for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering can collect any refund cheques (where applicable) and/or Share certificates in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong between 9:00 a.m. to 1:00 p.m. on Thursday, 7 July 2022 or such other date as notified by us as the date of dispatch, collection of Share certificates/e-Refund payment instructions/refund cheques. For applicants who apply through the **White Form eIPO** service and paid the application monies from a single bank account, e-Refund payment instructions (if any) will be dispatched to their application payment bank account on Thursday, 7 July 2022. For applicants who apply through the **White Form eIPO** service and used multiple accounts to pay the application monies, refund cheque (if any) will be dispatched to the address specified in their electronic application instruction to the **White Form eIPO** Service Provider on or before Thursday, 7 July 2022 at their own risk.

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

## EXPECTED TIMETABLE<sup>(1)</sup>

Share certificates and/or refund cheques for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the paragraphs headed "How to Apply for Hong Kong Offer Shares — 13. Refund of application monies" and "How to Apply for Hong Kong Offer Shares — 14. Dispatch/collection of share certificates and refund monies" in this prospectus.

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, please refer to the sections headed "Underwriting", "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus, respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, the Company will make an announcement as soon as practicable thereafter.



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*This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares, and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering.*

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## SUMMARY

### BUSINESS OVERVIEW

We are a comprehensive intelligent CRM services provider capable of providing CRM PaaS services and CRM SaaS services to our clients. Our CRM PaaS services comprise cPaaS platform and Artificial Intelligence (“AI”) and Data Intelligence (“DI”) capabilities. Our cPaaS platform encompasses various composable functional modules to empower our clients with consolidated communication capabilities mainly in the form of easily-deployed APIs and SDKs, thus enabling them to utilise our communication capabilities as a service in an easy, efficient and flexible way. Our CRM PaaS services are also integrated with AI and DI capabilities which we have developed for the purposes of our intelligent CRM services. Our CRM SaaS services comprise Marketing Cloud, Sales Cloud and Service Cloud, which integrate the traditional CRM functions with cloud, upgraded and encapsulated communication capabilities as well as AI and DI capabilities to offer our clients a one-stop intelligent CRM services throughout their entire business cycle, from initial marketing to after-sales services. CRM PaaS services provide underlying communication, AI, and DI capabilities for CRM SaaS services, facilitating and enhancing the functions of Marketing Cloud, Sales Cloud, and Service Cloud. On the other hand, our CRM SaaS services increase the usage of CRM PaaS capabilities through providing more application scenarios. For details of our services and case studies for our CRM SaaS services, please refer to the paragraphs headed “Business — Our services — CRM PaaS services”, “Business — Our services — CRM SaaS services — Marketing Cloud”, “Business — Our services — CRM SaaS services — Sales Cloud” and “Business — Our services — CRM SaaS services — Service Cloud” in this prospectus. Leveraging our cloud and multi-touch communication, AI and DI capabilities, we provide our clients with comprehensive intelligent CRM services covering their all channels and entire business cycle and paving the way for their business. Our multi-touch communication capability is capable of facilitating the interaction between enterprises and their customers in various form of connection, such as offline, online, business (unified management of marketing and operational communications) and social (integrating contact information of users over various telecom channels and mainstream social media channels). Additionally, in relation to our AI and DI capabilities, we have developed computer vision related AI recognition engines based in machine learning, deep learning, image segmentation <sup>(Note 1)</sup> and Optical Character Recognition <sup>(Note 2)</sup> (“OCR”), and an intelligent decision algorithm <sup>(Note 3)</sup> that can be based on DI utilised in AI camera.

We are a leader in the intelligent CRM services industry with more than 10 years of history. We were the largest domestic intelligent CRM services provider in the PRC with a market share of 13.8% in 2021 in terms of revenue of domestic intelligent CRM services provider in 2021 according to the Frost & Sullivan Report. In terms of revenue of intelligent CRM services provider in 2021, we were the second largest provider of intelligent CRM services in the PRC. With decade-long in-depth industry knowledge and expertise, as well as our well developed product development platform, we can quickly respond to the complex and evolving clients’ demands and develop new solutions and enhanced features to meet their needs. Our cloud-based solutions are developed by our research and development team. We strive to help our clients to achieve customer acquisition and to enhance the connection between our clients and their customers, and have established our brand reputation (especially in Fast Moving Consumer Goods (“FMCG”), financial, Technology, Media, Telecom (“TMT”) and public utility entities and

## SUMMARY

government organisations (“**Government-related**”) industries. We were ranked first, first and third in financial, TMT and Government-related industries, respectively, in terms of revenue in 2020 in the intelligent CRM services market in the PRC according to the Frost & Sullivan Report. Our high-quality client base includes leading players across many large scale and high-growth industries, such as FMCG, financial, TMT and Government-related industries. For FMCG industry, we covered 28 and 24 of the top 100 players <sup>(Note 4)</sup> in the food <sup>(Note 5)</sup> and beverage <sup>(Note 6)</sup> segments, and 20 and 10 of the top 100 players <sup>(Note 4)</sup> in the commodity and Chinese liquor segments, respectively, in 2021. For the financial industry, we covered 37 of the top 100 players <sup>(Note 4)</sup> in the banking segment and 30 of the 138 regulated security companies, respectively, in 2021. For TMT industry, we covered 21 and 15 of the top 100 players <sup>(Note 4)</sup> in the internet and software segments, respectively, in 2021.

We recorded a decrease in our gross profit from 2019 to 2020 which was primarily due to (i) the substantial increase in costs of telecommunication resources resulting from our business growth; and (ii) the decrease in our overall gross profit margin. For details, please refer to the paragraph headed “Financial Information — Description of major components of our results of operations — Gross profit and gross profit margin” in this prospectus.

We recorded a decrease in our overall gross profit margin from 2019 to 2020 which was primarily due to the general increase of service fee charged by telecommunication network operators during the same period as a result of the change in the PRC government policies and their internal policies to unify the fees charged by different telecommunication network operators in different regions. For details, please refer to the paragraph headed “Financial Information — Description of major components of our results of operations — Gross profit and gross profit margin” in this prospectus.

### Notes:

- (1) Image segmentation is a technology of dividing an image into several regions with unique properties, which is a key step from image processing to image analysis.
- (2) Optical Character Recognition is a technology examining the text of a document and translating the characters into code that can be used for data processing.
- (3) Intelligent decision algorithm means analysing and organising the data retrieved from the camera with super model and video recognition algorithm placed based on image recognition technology and DI, to assist the management in making market decisions.
- (4) Top 100 players refer to top 100 enterprises in terms of revenue in various segments within an industry.
- (5) The food segment covers all aspects of food production and sale.
- (6) The beverage segment covers all aspects of beverage production and sale.

### Our growth opportunity

The market size of the intelligent CRM services market was RMB7.2 billion in 2021 and is expected to reach RMB36.8 billion in 2026. With the development of cloud communication facilities, increasing number of internet users, and strong demand from downstream users, the intelligent CRM services market has experienced tremendous growth in recent years. The total addressable market (“**TAM**”) of the intelligent CRM services market increased from RMB25.1 billion in 2017 to RMB71.8 billion in 2021, representing a CAGR of 30.1%. In the future, TAM of the intelligent CRM services market is expected to increase to RMB280.0 billion in 2026, representing a CAGR of 31.3% from 2021. For details, please refer to the section headed “Industry Overview” in this prospectus.

## SUMMARY

### Our services and business model

As a leader in the intelligent CRM services industry, we have accumulated in-depth industry experience and expertise, which enable us to develop our comprehensive intelligent CRM services.

Our comprehensive intelligent CRM services can be grouped into two categories: (i) CRM Platform as a Service (PaaS) services <sup>(note 1)</sup>; and (ii) CRM Software as a Service (SaaS) services <sup>(note 2)</sup>, both of which are built on and share the same technological infrastructure. We primarily sell and market our intelligent CRM services through our in-house direct sales forces and we generally charge by usage based fee, platform subscription fee, implementation fee and service fee.

*Notes:*

- (1) According to the National Institute of Standards and Technology (the “NIST”), PaaS is defined as “The capability provided to the consumer is to deploy onto the cloud infrastructure consumer-created or acquired application created using programming languages, libraries, services and tools supported by the provider. The consumer does not manage or control the underlying cloud infrastructure including network, servers, operating systems, or storage, but has control over the deployed applications and possibly configuration settings for the application-hosting environment.”.
- (2) According to the NIST, SaaS is defined as “The capability provided to the consumer is to use the provider’s applications running on a cloud infrastructure. The applications are accessible from various client devices through either a thin client interface, such as a web browser (e.g., web-based email), or a program interface. The consumer does not manage or control the underlying cloud infrastructure including network, services, operating systems, storage, or even individual application capabilities, with the possible exception of limited user-specific application configuration settings.”.

With cPaaS platform as a service at the core, our CRM PaaS services encompass composable functional modules to empower our clients with consolidated communications capabilities mainly in the form of easily-deployed application programming interfaces (“APIs”) and software development kits (“SDKs”). The various composable functional modules include voice and text verification code module, notification text and call module, hidden-number module, which allow our clients to access and utilise our communication capabilities in an easy, efficient and flexible way which suits their communications needs without incurring enormous costs in establishing and maintaining their own communication infrastructure. For details, please refer to the paragraph headed “Business — Our services — CRM PaaS services” in this prospectus. Our CRM SaaS services comprise Marketing Cloud solution, Sales Cloud solution and Service Cloud solution, which integrate the traditional CRM functions with cloud, upgraded and encapsulated communication capabilities as well as AI and DI capabilities to offer our client with a one-stop cloud-based intelligent CRM services throughout their entire business cycle, from initial marketing to after-sales services. CRM PaaS services provide underlying communication, AI, and DI capabilities for CRM SaaS services, facilitating and enhancing the functions of Marketing Cloud, Sales Cloud and Service Cloud. On the other hand, our CRM SaaS services increase the usage of CRM PaaS capabilities through providing more application scenarios. Our Marketing Cloud solution allows one-stop dissemination of marketing messages across telecommunication and/or social channels (i.e. SMS, MMS, voice message, WeChat message and email) locally and without installing any additional software or APP. It allows clients to access our strong

## SUMMARY

communication capability with low maintenance and installation costs. Our Sales Cloud solution allows clients to monitor their entire sales process, including research and development, production, sales and after-sales processes, which can be translated into actual growth in their brand or products; or to establish all-channel marketing and sales system in multiple respects: digitalising the sales process, synchronising and managing orders through different channels, monitoring the marketing expenditure in a closed-loop, and promoting sales in a regulated manner, which enables our clients to monitor and control all their sales data, thus sharpens their core competitive edges and boosts their sales growth. Our Services Cloud solution is a centralised interface connected to various customer service channels with intelligent quality inspection function which is developed to enhance the level of service quality by voice recognition, semantic analysis and big data processing technology. This one-stop solution can help enhancing our clients' abilities on cloud-voice related customer service. For details, please refer to the paragraph headed "Business — Our services — CRM SaaS services" in this prospectus.

Our CRM PaaS and CRM SaaS services help our clients to manage their entire business cycle's operation, i.e. products display, order fulfilment, all-channel marketing, membership program management and business analytics and reporting, in a more efficient and effective way. With our comprehensive services matrix and feature-rich solutions, we can accommodate the disparate demands of a broad range of clients across public cloud <sup>(Note 1)</sup>, private cloud <sup>(Note 2)</sup> and hybrid cloud <sup>(Note 3)</sup>, and to capture complex and evolving client demands by developing new services and enhancing features of existing services. We develop the underlying platforms of our CRM PaaS services <sup>(Note 4)</sup> and CRM SaaS services <sup>(Note 5)</sup> base on the cloud service platform provided by cloud service providers.

*Notes:*

- (1) Public cloud is cloud computing that's delivered via the internet and shared across different organisations.
- (2) Private cloud is cloud computing that is dedicated solely to one organisation.
- (3) Hybrid cloud is any environment that uses both public and private clouds.
- (4) cPaaS is public cloud in nature.
- (5) CRM SaaS comprises of Marketing Cloud (consists of public cloud, private cloud and hybrid cloud), Sales Cloud (consists of public cloud and private cloud) and Service Cloud (consists of public cloud and private cloud).

## OUR COMPETITIVE STRENGTHS

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

- Leader in the intelligent CRM services industry;
- Our comprehensive intelligent CRM services with multi-touch communication capabilities covering clients' all channels and entire business cycle;

## SUMMARY

- A highly scalable business model with industry-leading performance;
- Strong product development and technology abilities; and
- Committed, experienced and insightful founders and management team.

For details, please refer to the paragraph headed “Business — Our competitive strengths” in this prospectus.

### OUR GROWTH STRATEGIES

We aim to strengthen our position as a leader in the intelligent CRM services industry in the PRC in the face of both existing and new competitors. We seek to continue to increase our market share and brand awareness by implementing the following strategies:

- Develop and expand our client base by ongoing cultivation and vertical expansion in the key industries;
- Strengthening and extending our CRM SaaS services by continuous innovation and iteration;
- Continue to invest in technology and infrastructure; and
- Pursuing strategic investments and acquisitions.

### OUR CLIENTS AND SUPPLIERS

#### Our clients

Our clients primarily consist of companies in FMCG, financial, TMT and Government-related industries. For the four years ended 31 December 2021, our top five clients accounted for 31.8%, 28.3%, 34.8% and 34.2%, respectively, of our revenue during the same period. For more details, please refer to the paragraph headed “Business — Our clients” in this prospectus.

#### Our suppliers

Our suppliers mainly consist of major telecommunication network operators and suppliers of cloud computing servers. For the four years ended 31 December 2021, our top five suppliers accounted for 81.0%, 81.6%, 85.7% and 86.1%, respectively, of our cost of sales during the same periods. For details, please refer to the paragraph headed “Business — Our suppliers” in this prospectus.

## SUMMARY

### OVERLAPPING CLIENTS AND SUPPLIERS

During the Track Record Period, three of our top five clients were also our suppliers and five of our top five suppliers were also our clients. Our Directors confirm that our sales to and our purchases from all overlapping client-supplier were conducted in the ordinary course of business under normal commercial terms and on an arm's length basis. None of our Directors, their respective close associates, or any Shareholder who, to the best knowledge of our Directors, owns more than 5% of our issued capital nor did they have any interest in each of these overlapping clients and suppliers during the Track Record Period. For further details, please refer to the paragraph headed "Business — Overlapping clients and suppliers" in this prospectus.

### SEASONALITY

Our business is subject to seasonality and we typically record lower revenue during the first quarter of the year as compared to the remaining of the year. As advised by Frost & Sullivan, the intelligent CRM services industry in the PRC is subject to the seasonality of consumer spending and corresponding marketing trends. Intelligent CRM services providers typically generate lower revenue in the first quarter than other quarters, mainly due to slower and postponed spending or purchase of intelligent CRM products and services as a result of holidays such as Chinese lunar new year in the first quarter.

### RISK FACTORS

Our business and the Global Offering involve certain risks as set out in "Risk Factors" in this prospectus. You should read that section in its entirety carefully before you decide to invest in our Shares. The following is a non-exhaustive list of some of the major risks we face:

- we rely on major telecommunication network operators for their provision of telecommunication resources. If we fail to maintain our collaborations with these telecommunication network operators or they keep increasing their service fees level, our business, results of operations and financial condition will be materially and adversely affected;
- we have experienced an increase in our costs of telecommunication resources, our actual pricing may vary from our estimations due to unexpected circumstances, thereby affecting our pricing ability, business, results of operations and financial conditions;
- if we fail to manage the growth and expansion of our business and operations, our business, results of operations and financial condition may be materially and adversely affected;
- if we fail to improve and enhance the functionality, performance, reliability, design, security, and scalability of our services and solutions to suit our clients' evolving needs, our clients may not repurchase our services and/or solutions, which, in turn, will have a material and adverse impact on our business, results of operation and financial condition;



## SUMMARY

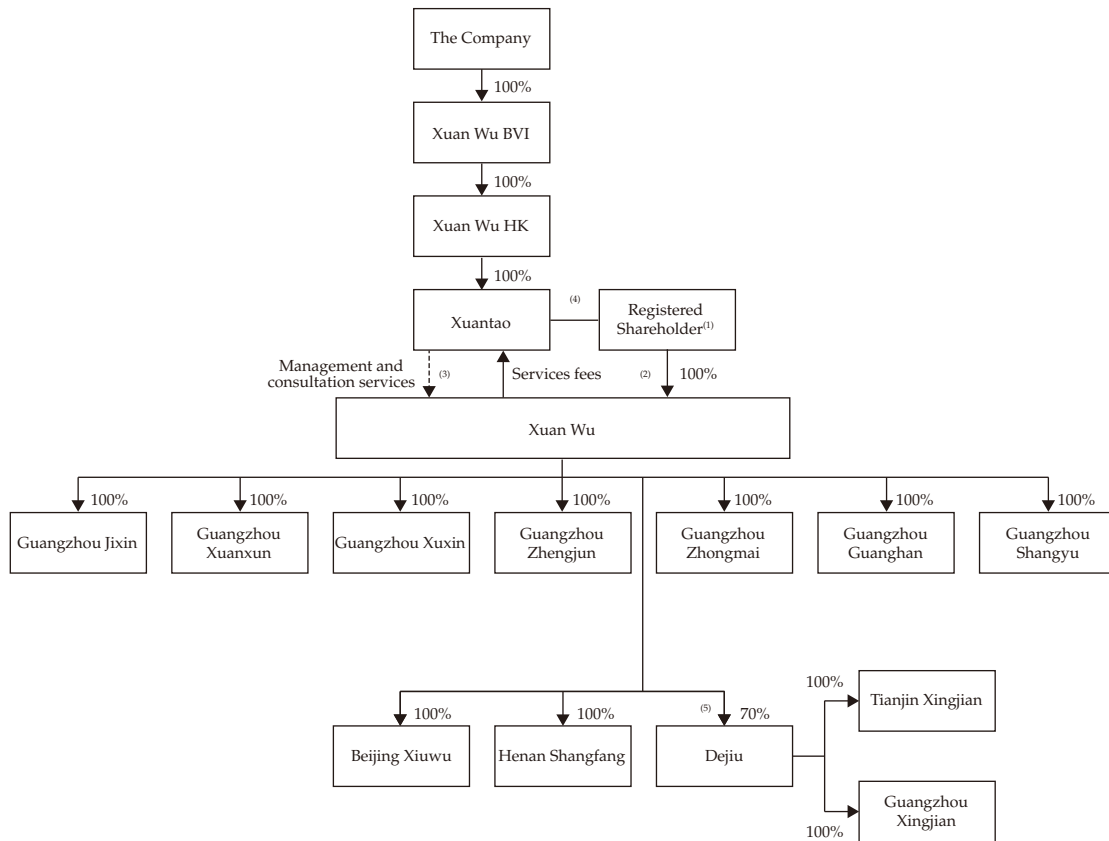
- we depend on cloud infrastructure operated by third parties and any disruption of or interference with our use of such third-party services would adversely affect our business, results of operations and financial condition;
- our services involve transmission of certain information belonging to the end customers of our clients and may be subject to complex and evolving laws and regulations regarding privacy and data protection. If we fail to comply with privacy and data protection laws and regulations, our business, results of operations and financial condition may be adversely affected;
- regulatory, legislative or self-regulatory developments for provision of intelligent CRM services, including privacy and data protection regimes, are expansive, not clearly defined and rapidly evolving. These laws and regulations could create unexpected costs, subject us to enforcement actions for compliance failures, or restrict portions of our business or cause us to change our technology platform or business model;
- our future business growth and expansion is dependent on the continued development of our services and our target clients' need for intelligent CRM services;
- we face competition in the markets where we operate and may not be able to compete successfully against our existing and future competitors;
- security breaches and attacks against our systems and network, and any potentially resulting breach of or failure to protect personal, confidential and proprietary information, could damage our reputation and negatively impact our business, as well as materially and adversely affect our financial condition and results of operations; and
- our contractual arrangements may not be as effective in providing operational control as direct ownership. Any failure by any Consolidated Affiliated Entity or its shareholders to perform the obligations under the Contractual Arrangements would have a material adverse effect on our business, results of operations and financial condition.

## CONTRACTUAL ARRANGEMENTS

The businesses which we currently operate are subject to foreign investment restrictions under the current PRC laws and regulations. In particular, the provision of CRM PaaS and CRM SaaS services involves the provision of value-added telecommunication services. After consultation with our PRC Legal Advisor, we determined that it was not viable for our Company to hold Xuan Wu and its subsidiaries directly through equity ownership. Instead, we decided that, in line with common practice in industries subject to foreign investment restrictions in the PRC, we would gain effective control over, and receive all the economic benefits generated by the businesses currently operated through the Contractual Arrangements among Xuanta, Xuan Wu and

## SUMMARY

its subsidiaries and the Registered Shareholders. The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entity to our Group stipulated under the Contractual Arrangements:



*Notes:*

1. Registered Shareholders refer to the registered shareholders of Xuan Wu, namely together with their shareholding in Xuan Wu, Mr. Chen (holding 19.1980%), Mr. Song (holding 16.9416%), Mr. Huang (holding 12.6085%), Mr. Li (holding 10.4867%), Guangzhou Xuandong (holding 5.9894%), Guangzhou Xuanxi (holding 3.4225%), Guangzhou Xuannan (holding 2.5669%), Guangzhou Xuanbei (holding 2.5669%), Shanghai Fosun (holding 5.9728%), Mr. Xie (holding 4.8312%), GF Qianhe (holding 3.3274%), Mr. Guo Haiqiu (holding 2.5669%), Guangzhou Zhengxin (holding 2.2817%), GL Venture Capital (holding 1.9014%), SZR Investment (holding 0.9602%), Mr. Chen Zhengxu (holding 0.9583%), Mr. Wu Fugui (holding 0.9583%), GF Securities (holding 0.9469%), Chengda Coastal (holding 0.5894%), Mr. Zhang Wei (holding 0.4259%), CITIC Securities (holding 0.3803%), Zhuhai Qingshi (holding 0.0608%), Mr. Zhang Boxiao (holding 0.0378%), Mr. Tang Bin (holding 0.0164%) and Mr. Sun Junwen (holding 0.0038%).
2. "→" denotes legal and beneficial ownership in the equity interest.
3. "----->" denotes contractual relationship among Xuantao and Xuan Wu and its subsidiaries.
4. "———" denotes the control by Xuantao over the Registered Shareholders and Xuan Wu through (1) powers of attorney to exercise all shareholders' rights of the Registered Shareholders in Xuan Wu, (2) exclusive options to acquire all or part of the equity interests of in Xuan Wu from the Registered Shareholders; and (3) equity pledges over the equity interests of the Registered Shareholders in Xuan Wu.
5. The remaining 30% equity interest in Dejiu is held by Mr. Luo Zhijian (羅志堅).

## SUMMARY

On 27 December 2021, the NDRC and the MOFCOM published the latest Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (the “**2021 Negative List**”). Article 6 of the Interpretation Note of the 2021 Negative List (“**Article 6**”) provides that “where a domestic enterprise engaged in the business in the prohibited areas of the Negative List on Access to Foreign Investment seeks to issue and list its shares overseas (“**Overseas Issuance and Listing by a Domestic Enterprise under 2021 Negative List**”), it shall complete the examination process and obtain approval of the relevant competent authorities of the State, the foreign investor shall not participate in the operation and management of the enterprise, and its shareholding percentage shall be subject to the relevant provisions on the administration of domestic securities investment by foreign investors.” For more details, please refer to the paragraphs headed “Regulatory Overview — Laws and regulations relating to foreign investment” and “Contractual Arrangement — Development in the PRC Legislation on Personal Information Protection” in this prospectus.

### OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Chen, Mr. Huang and Mr. Li will indirectly hold 26.0508%, 11.8346% and 9.8430%, through Mr. Chen’s controlled limited partnerships, namely Guangzhou Xuannan, Guangzhou Xuanxi and Guangzhou Xuanbei, and their respective wholly-owned intermediary entities, namely Zhenghao Global, Honghan Worldwide and Double Winner, of the issued share capital of our Company respectively. Mr. Chen, Mr. Huang and Mr. Li have been acting in concert with each other in line with an acting in concert agreement among them. Accordingly, each of Mr. Chen, Mr. Huang, Mr. Li, Zhenghao Global, Honghan Worldwide, Double Winner, Guangzhou Xuannan, Guangzhou Xuanxi and Guangzhou Xuanbei is considered as a Controlling Shareholder of our Company under the Listing Rules. For more details, please refer to the section headed “Relationship with Our Controlling Shareholders” in this prospectus.

### PRE-IPO INVESTORS

Since the establishment of our Company, we have received two rounds of investment from our Pre-IPO Investors, namely GF Qianhe, GL Venture Capital, Chengda Coastal, Zhuhai Qingshi and Guangzhou Zhengxin. For details of the identity and background of the Pre-IPO Investors, and the principal terms of the Pre-IPO Investments, please refer to the paragraph headed “History and Reorganisation — The Pre-IPO Investments” in this prospectus.

## SUMMARY

### SUMMARY OF KEY FINANCIAL INFORMATION

The tables below set forth a summary of the financial information from our consolidated financial information for the Track Record Period, extracted from the Accountant's Report set out in Appendix I.

#### Summary of consolidated statements of comprehensive income

	For the year ended 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	518,835	600,201	796,762	991,941
Cost of sales	<u>(333,334)</u>	<u>(403,507)</u>	<u>(602,969)</u>	<u>(759,549)</u>
<b>Gross profit</b>	185,501	196,694	193,793	232,392
Selling and distribution expenses	(83,023)	(93,430)	(77,149)	(91,024)
Administrative expenses	(37,155)	(45,819)	(39,754)	(68,515)
Research and development expenses	(40,788)	(50,580)	(53,022)	(66,126)
Net impairment losses on financial assets	(2,464)	(2,888)	(4,342)	(5,370)
Other income	7,043	7,378	9,671	12,557
Other gains – net	<u>1,318</u>	<u>601</u>	<u>466</u>	<u>393</u>
<b>Operating profit</b>	30,432	11,956	29,663	14,307
Finance income	441	379	706	750
Finance costs	<u>(328)</u>	<u>(1,754)</u>	<u>(3,011)</u>	<u>(2,577)</u>
Finance income/(costs) – net	<u>113</u>	<u>(1,375)</u>	<u>(2,305)</u>	<u>(1,827)</u>
<b>Profit before income tax</b>	30,545	10,581	27,358	12,480
Income tax (expense)/credit	<u>(741)</u>	<u>2,897</u>	<u>1,949</u>	<u>2,871</u>
<b>Profit and total comprehensive income for the year</b>	<u><u>29,804</u></u>	<u><u>13,478</u></u>	<u><u>29,307</u></u>	<u><u>15,351</u></u>
<b>Profit/(loss) and total comprehensive income/(loss) for the year is attributable to:</b>				
– Owners of the Company	30,012	14,398	27,748	14,513
– Non-controlling interests	<u>(208)</u>	<u>(920)</u>	<u>1,559</u>	<u>838</u>
	<u><u>29,804</u></u>	<u><u>13,478</u></u>	<u><u>29,307</u></u>	<u><u>15,351</u></u>

## SUMMARY

### Non-HKFRS measures

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also use adjusted net profit (non-HKFRS measures and defined as loss for the year or period and adding back listing expenses) as an additional financial measure, which is not required by, or presented in accordance with HKFRS. We believe that the presentation of this non-HKFRS measure facilitates comparisons of operating performance from period to period and company to company. We believe that this measure provides useful information to investors in understanding and evaluating the Group's consolidated results of operations in the same manner as they do for our Group's management. However, the use of non-HKFRS measure has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under HKFRS. In addition, the non-HKFRS financial measure may be defined differently from similar terms used by other companies.

The following table set forth the reconciliations of our non-HKFRS financial measure for the fiscal years ended 31 December 2018, 2019, 2020 and 2021 to the nearest measure prepared in accordance with HKFRS.

	<b>Year ended 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net profit	29,804	13,478	29,307	15,351
Adjust for:				
Listing expenses	–	–	–	15,617
Adjusted net profit (non-HKFRS measures)	29,804	13,478	29,307	30,968

Despite we recorded a decrease of net profit for the year ended 31 December 2021 which was primarily attributable to listing expenses, we recorded an adjusted net profit (non-HKFRS measures) of RMB31.0 million during the year ended 31 December 2021 and we believe the following information on our adjusted net profit (non-HKFRS measures) will be more useful to investors in understanding and evaluating our Group's financial performance. During the four years ended 31 December 2021, we recorded adjusted net profit (non-HKFRS measures) of RMB29.8 million, RMB13.5 million, RMB29.3 million and RMB31.0 million, respectively. Our adjusted net profit (non-HKFRS measures) decreased from RMB29.8 million in 2018 to RMB13.5 million in 2019 which was primarily attributable to the increase in costs of telecommunication resources in relation to our CRM PaaS services. Our adjusted net profit (non-HKFRS measures) remained stable for 2020 and 2021 while the increase from 2019 to 2020 was primarily attributable to decrease in our selling and distribution expenses due to structure optimisation of our selling and distribution team and decrease in marketing and promotion expenses and travel and entertainment expenses as a result of COVID-19 in 2020.

## SUMMARY

Our gross profit increased from RMB185.5 million for the year ended 31 December 2018 to RMB196.7 million for the year ended 31 December 2019 due to increase in revenue. Our selling and distribution expenses increased by 12.5% from RMB83.0 million for the year ended 31 December 2018 to RMB93.4 million for the year ended 31 December 2019 primarily due to increase in employee benefit expenses in line with overall business growth and our continued investment in engaging with existing clients and attracting new clients and increase in travel and entertainment expenses due to business expansion and more onsite client visits. Our administrative expenses increased by 23.1% from RMB37.2 million for the year ended 31 December 2018 to RMB45.8 million for the year ended 31 December 2019 primarily attributable to increase in both the average wages and the total number of our general and administrative employees. Our research and development expenses increased by 24.0% from RMB40.8 million for the year ended 31 December 2018 to RMB50.6 million for the year ended 31 December 2019 primarily attributable to increase in both the average wages and the number of employees in research and development function, as we continued our investment in research and development along with business expansion so as to expand our CRM SaaS services, including the development of our ICC module and Smart Sales 100 module, and improve the service quality of our CRM PaaS and CRM SaaS services. As a result of the foregoing, our net profit decreased from RMB29.8 million for the year ended 31 December 2018 to RMB13.5 million for the year ended 31 December 2019.

Our gross profit decreased from RMB196.7 million for the year ended 31 December 2019 to RMB193.8 million for the year ended 31 December 2020 which was primarily due to (i) the substantial increase in costs of telecommunication resources resulting from our business growth; and (ii) the general increase of service fee charged by telecommunication network operators during the same period as a result of the change in the PRC government policies and their internal policies to unify the fees charged by different telecommunication network operators in different regions; and (iii) the decrease in our overall gross profit margin. For details, please refer to the paragraph headed “Financial Information — Description of major components of our results of operations — Gross profit and gross profit margin” in this prospectus. Our selling and distribution expenses decreased by 17.5% from RMB93.4 million for the year ended 31 December 2019 to RMB77.1 million for the year ended 31 December 2020 primarily due to decrease in the number of employees in selling and marketing function due to structure optimisation of our selling and distribution team and decrease in both marketing and promotion expenses and travel and entertainment expenses attributable to the impact of COVID-19 in 2020. Our administrative expenses decreased by 13.1% from RMB45.8 million for the year ended 31 December 2019 to RMB39.8 million for the year ended 31 December 2020 primarily attributable to decrease in the number of employees in administrative function and partial exemption of social security expenses by the relevant PRC government authorities due to impact of COVID-19 in 2020. Our research and development expenses increased slightly by 4.7% from RMB50.6 million for the year ended 31 December 2019 to RMB53.0 million for the year ended 31 December 2020 primarily attributable to the expansion of our research and development team as we continued our investment in research and development so as to expand our CRM SaaS services and improve the service quality of our CRM PaaS and CRM SaaS services, including the continuous development of our ICC module and the development of our Smart Sales 100 module. As a result of the foregoing, our net profit increased from RMB13.5 million for the year ended 31 December 2019 to RMB29.3 million for the year ended 31 December 2020.

## SUMMARY

Our gross profit increased from RMB193.8 million for the year ended 31 December 2020 to RMB232.4 million for the year ended 31 December 2021, which was attributable to the increase in CRM SaaS revenue due to clients' rising demand for our CRM SaaS services and enhanced features in solutions provided by us. Our selling and distribution expenses increased by 18.0% from RMB77.1 million for the year ended 31 December 2020 to RMB91.0 million for the year ended 31 December 2021 which was mainly resulting from the expansion of our business, increase in number of clients and reduction in the amount of exemption of social security expenses by the relevant PRC government authorities granted in 2020 due to the impact of COVID-19. Our administrative expenses increased by 72.1% from RMB39.8 million for the year ended 31 December 2020 to RMB68.5 million for the year ended 31 December 2021 primarily due to incurrence of listing expenses, increase in the number of employees in administrative function and reduction in the amount of exemption of social security expenses granted in 2020 due to the impact of COVID-19. Our research and development expenses increased by 24.7% from RMB53.0 million for the year ended 31 December 2020 to RMB66.1 million for the year ended 31 December 2021 primarily due to increase in the number of employees in research and development function, as we continued investment in research and development in order to enhance our competitiveness and meet the ever-changing demand from our clients. As a result of the foregoing, we recorded a net profit of RMB15.4 million for the year ended 31 December 2021. The decrease of net profit from RMB29.3 million for the year ended 31 December 2020 to RMB15.4 million for the year ended 31 December 2021 was primarily due to the incurrence of listing expenses of RMB15.6 million during the same period.

We have implemented or intend to implement various initiatives to maintain and improve our profitability, including (i) improving standardisation of our CRM services; (ii) reducing customisation cost by leveraging our aPaaS platform; (iii) reducing the time of development, implementation and delivery of our services; (iv) implementing core client strategy; (v) enhancing CRM PaaS capabilities and speed up introduction and promotion of new services; (vi) implementing cross-selling strategy; (vii) enhancing our cooperation with telecommunication network operators and making prepayment to telecommunication network operators; (viii) further strengthening and extending our CRM SaaS services to cater for evolving clients' needs; (ix) enhancing efficiency of organisation and operation; and (x) gradually increasing selling price and partially shifting costs when entering into new and renewed contracts. For details, please refer to the paragraph headed "Financial Information — Key financial ratios/metrics" in this prospectus.

## SUMMARY

For details of the period-to-period comparison, please refer to the paragraph headed “Financial Information — Period-to-period comparison of results of operations” in this prospectus.

### Business segments

The following table sets forth our revenues by business segments for the periods indicated.

	<b>For the year ended 31 December</b>							
	<b>2018</b>		<b>2019</b>		<b>2020</b>		<b>2021</b>	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
CRM PaaS services	201,436	38.8	301,518	50.2	460,847	57.8	554,643	55.9
CRM SaaS services	317,399	61.2	298,683	49.8	335,915	42.2	437,298	44.1
<b>Total</b>	<b><u>518,835</u></b>	<b><u>100.0</u></b>	<b><u>600,201</u></b>	<b><u>100.0</u></b>	<b><u>796,762</u></b>	<b><u>100.0</u></b>	<b><u>991,941</u></b>	<b><u>100.0</u></b>

For details, please refer to the paragraph headed “Financial Information — Description of major components of our results of operations — Revenue” in this prospectus.

### Summary of consolidated statements of financial position

	<b>As at 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total non-current assets	40,572	37,843	33,636	63,240
Total current assets	273,639	291,553	434,603	484,727
Total non-current liabilities	11,739	6,341	382	24,268
Total current liabilities	104,461	142,775	196,088	236,545
Net current assets	169,178	148,778	238,515	248,182
Non-controlling interests	276	(644)	915	1,753
Total equity	198,011	180,280	271,769	287,154



## SUMMARY

The following table sets forth our non-current assets and non-current liabilities as at the dates indicated:

	<b>As at 31 December</b>			
	<b>2018</b> <i>RMB'000</i>	<b>2019</b> <i>RMB'000</i>	<b>2020</b> <i>RMB'000</i>	<b>2021</b> <i>RMB'000</i>
<b>Non-current assets</b>				
Property, plant and equipment	5,011	5,660	4,952	8,374
Right-of-use assets	18,720	13,498	7,435	31,953
Intangible assets	15,659	14,537	15,107	14,113
Deferred income tax assets	701	3,613	5,577	8,464
Prepayments	481	535	565	336
	<u>40,572</u>	<u>37,843</u>	<u>33,636</u>	<u>63,240</u>
<b>Non-current liabilities</b>				
Lease liabilities	11,601	6,191	269	24,236
Deferred income tax liabilities	138	150	113	32
	<u>11,739</u>	<u>6,341</u>	<u>382</u>	<u>24,268</u>

The following table sets out details of our current assets and current liabilities as at the dates indicated:

	<b>As at 31 December</b>			
	<b>2018</b> <i>RMB'000</i>	<b>2019</b> <i>RMB'000</i>	<b>2020</b> <i>RMB'000</i>	<b>2021</b> <i>RMB'000</i>
<b>Current assets</b>				
Contract fulfilment costs	4,075	7,787	7,624	5,587
Contract assets	15	120	361	95
Financial assets at fair value through profit or loss	25,667	–	30,200	21,476
Trade, bill and other receivables and prepayments	169,609	240,567	299,303	369,312
Restricted cash	95	9	38	1
Cash and cash equivalents	74,178	43,070	97,077	88,256
	<u>273,639</u>	<u>291,553</u>	<u>434,603</u>	<u>484,727</u>
<b>Current liabilities</b>				
Borrowings	–	39,935	39,512	58,480
Contract liabilities	24,282	29,278	34,021	31,924
Trade and other payables	73,780	66,352	115,071	138,375
Lease liabilities	6,308	7,129	7,391	7,644
Current income tax liabilities	91	81	93	122
	<u>104,461</u>	<u>142,775</u>	<u>196,088</u>	<u>236,545</u>
Net current assets	<u>169,178</u>	<u>148,778</u>	<u>238,515</u>	<u>248,182</u>

## SUMMARY

Our net current assets decreased from RMB169.2 million as at 31 December 2018 to RMB148.8 million as at 31 December 2019, primarily due to the increase of RMB39.9 million in our borrowings as we incurred net borrowings of RMB39.9 million in 2019 in line with our business expansion and the decrease of RMB31.1 million in our cash and cash equivalents, which was partially offset by the increase of RMB71.0 million in our trade, bill and other receivables and prepayments generally in line with our business expansion and revenue growth.

Our net current assets increased from RMB148.8 million as at 31 December 2019 to RMB238.5 million as at 31 December 2020, primarily due to the increase of RMB58.7 million in our trade, bill and other receivables and prepayments generally in line with our growth in credit sales and business expansion and the increase of RMB54.0 million in our cash and cash equivalents, which was partially offset by the increase of RMB48.7 million in our trade and other payables primarily due to (i) the increase in telecommunication expenses payable resulting from our increased procurement in line with our business expansion and (ii) the extension of reconciliation cycle of certain telecommunication network operators by one month in December 2020. Our net current assets remained relatively stable at RMB238.5 million and RMB248.2 million, respectively as at 31 December 2020 and 31 December 2021.

For details of our discussion of our financial position, please refer to the paragraph headed “Financial Information — Discussion of certain key balance sheet items” in this prospectus.

## SUMMARY

### Summary of consolidated statements of cash flows

	Year ended 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Operating cash flows before				
movements in working capital	43,205	27,005	45,911	32,969
Movements in working capital	(17,738)	(67,176)	(9,656)	(51,079)
Interest received	441	379	706	750
Income tax paid	(2,826)	(101)	(12)	(99)
<b>Net cash generated from/(used in) operating activities</b>	<u>23,082</u>	<u>(39,893)</u>	<u>36,949</u>	<u>(17,459)</u>
<b>Net cash (used in)/generated from investing activities</b>	<u>(1,793)</u>	<u>23,209</u>	<u>(33,593)</u>	<u>2,977</u>
<b>Net cash (used in)/generated from financing activities</b>	<u>(16,946)</u>	<u>(14,424)</u>	<u>50,651</u>	<u>5,661</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	4,343	(31,108)	54,007	(8,821)
Cash and cash equivalents at beginning of the year	<u>69,835</u>	<u>74,178</u>	<u>43,070</u>	<u>97,077</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>74,178</u></u>	<u><u>43,070</u></u>	<u><u>97,077</u></u>	<u><u>88,256</u></u>

We recorded negative cash flows from operating activities for the year ended 31 December 2019 and the year ended 31 December 2021. The negative cash flow from operating activities for the year ended 31 December 2019 was primarily attributable to our trade receivables while the negative cash flow from operating activities for the year ended 31 December 2021 was primarily attributable to decrease in trade and other payables and the increase in our trade, bill and other receivables and prepayments. To improve our net operating cash outflows position, we intend to adopt measures such as (1) to expedite the cycle of recovering trade receivables and to lift up the amount of prepayments payable by our clients; (2) to optimise our revenue structure by increasing the proportion of revenue derived from CRM SaaS services; and (3) to obtain more prepayments from clients as we increase our sales in Sales Cloud solutions in which generally prepayments will be charged for such services. For details, please refer to the paragraph headed “Financial Information — Liquidity and capital resources” in this prospectus.

## SUMMARY

### Key financial ratios

	<b>For the year ended 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	%	%	%	%
Revenue growth:				
CRM PaaS services	N/A	49.7	52.8	20.4
CRM SaaS services	N/A	(5.9)	12.5	30.2
Total	N/A	15.7	32.7	24.5
Gross margin:				
CRM PaaS services	29.5	24.9	13.9	10.9
CRM SaaS services	39.7	40.7	38.6	39.3
Total	35.8	32.8	24.3	23.4
Net profit margin	5.7	2.2	3.7	1.5
Adjusted net profit margin (non-HKFRS measure)	5.7	2.2	3.7	3.1

The decrease of our overall gross profit margin from 35.8% in 2018 to 32.8% in 2019 was primarily resulting from (i) decrease of gross profit margin in CRM PaaS services, partially offset by increase of our gross profit margin in CRM SaaS services and (ii) change in our revenue mix as we generate larger portion of revenue from CRM PaaS with relatively lower gross profit margin. In particular, our gross profit margin in CRM PaaS services decreased from 29.5% in 2018 to 24.9% in 2019, primarily due to the general increase of service fees charged by telecommunication network operators commenced in the fourth quarter of 2019. Our gross profit margin in CRM SaaS services increased slightly from 39.7% in 2018 to 40.7% in 2019, primarily due to economies of scale achieved during the same period attributable to our strategic focus on developing CRM SaaS services.

The decrease of our overall gross profit margin from 32.8% in 2019 to 23.4% in 2021 was a result of (i) higher growth rate of cost of sale in comparison to that of revenue and (ii) change in our revenue mix as we generate larger portion of revenue from CRM PaaS with relatively lower gross profit margin. In particular, our gross profit margin in CRM PaaS services decreased from 24.9% in 2019 to 13.9% in 2020, primarily due to the general increase of service fees charged by telecommunication network operators commenced in the fourth quarter of 2019, which resulted in a relatively larger decrease in 2020. Our gross profit margin in CRM SaaS services remained relatively stable of 40.7% in 2019, 38.6% in 2020 and 39.3% in 2021.

We recorded net profit margins of 5.7%, 2.2%, 3.7% and 1.5% for the four years ended 31 December 2021. After adding back listing expenses, our adjusted net profit margin (non-HKFRS measures) for the year ended 31 December 2021 was 3.1%.

## SUMMARY

### RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

#### *Recent development*

In the first quarter of 2022, there was a large-scale outbreaks of COVID-19 including the highly transmissible Omicron variant in various provinces across the PRC, particularly in Shanghai, which has affected the feasibility of our marketing staff to travel around for their business trips. The local governments re-imposed certain quarantine and other restrictive measures. As of the Latest Practicable Date, we were closely monitoring the development of COVID-19 in the PRC. Our business and financial performance maintained a stable development given (1) the nature of our business that our service offerings are generally delivered remotely; and (2) the unaudited consolidated management accounts.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have entered into (i) a service agreement with a new financial institution client (“**New Client A**”) which we will be providing CRM PaaS services (“**Agreement A**”); and (ii) a sale and purchase agreement with a new food manufacturer client (“**New Client B**”) (“**Agreement B**”), which will contribute to our future Sales Cloud revenue. New Client A is a PRC financial institution incorporated in 2010 and principally engages in provision of internet payment services and bank card trading services, with registered capital of RMB100 million. New Client B is a PRC food manufacturer incorporated in 1988 and principally engages in the production, processing and sales of pickled mustard, with registered capital of RMB887.6 million. We believe such cooperation will serve as a benchmark of strengthening our products' credibility in the financial and FMCG industry. Salient terms of these agreements are as follows:

	<b>Agreement A</b>	<b>Agreement B</b>
<b>Term of service</b>	A term of two years.	A term of one year.
<b>Scope of services</b>	Provision of CRM PaaS services.	Provision of a management software and development of a software relating to channel digitalisation.
<b>Service fee</b>	We charge for the provision of messaging services.	We charge for, among others, the implementation fee and service fee.
<b>Confidentiality</b>	Both parties are obliged to keep confidential the technical, financial and business information disclosed during the service term, and shall continue after termination of the agreement.	Both parties are obliged to keep confidential the business information disclosed during the service term, and shall continue for one year after termination of the agreement.

## SUMMARY

In recent years, various laws and regulations and draft measures were issued or promulgated to regulate, among other things, internet and media, education, healthcare, and real estate sectors. These laws and regulations are newly enacted, and their implementations and interpretations are subject to uncertainties. The timetable and the legislation or promulgation process of such draft measures remain unclear. As such, there remains substantial uncertainties as to whether and how these recent regulatory developments, to the extent relevant to our business and operations, will affect our business operations. See “Regulatory Overview.”

### 1. *Regulatory Developments on Cybersecurity and Data Privacy*

The PRC government has in recent years enacted a series of laws and regulations on the protection of personal information, including but not limited to the Civil Code of the People’s Republic of China (the “**Civil Code**”), the Cybersecurity Law of the People’s Republic of China (the “**Cybersecurity Law**”), the Data Security Law of the People’s Republic of China (the “**Data Security Law**”), the Personal Information Protection Law of the People’s Republic of China (the “**Personal Information Protection Law**”). The aforesaid laws and regulations provide the definition of personal information, the basic principles for personal information collection and use, personal information processors’ obligations on data security and personal information protection, etc.

The Group’s current data processing activities would not affect national security, and the current personal protection measures currently adopted by the Group has complied with the applicable requirements of the New Cybersecurity Regulations in all material aspects. Our PRC Legal Advisor, the PRC Legal Advisor to the Sole Sponsor and the Sole Sponsor conducted a follow-up telephone consultation with the China Cybersecurity Review Technology and Certification Centre (the “**Centre**”) on 8 February 2022, during which our Company’s identity was disclosed. While the Centre refused to give any written confirmation regarding the application of the New Cybersecurity Regulations, it confirmed our PRC Legal Advisor’s understanding of the New Cybersecurity Regulations orally and it also agreed that our Company is not legally required to apply for a cybersecurity review under the New Cybersecurity Regulations in relation to our Listing.

During the course of business, we handle and process clients’ data which is stored on the public cloud platform. Other than sending text messages via the phone number provided by our clients, we do not collect or utilise the data and only provide reports or analysis subject to clients’ demands. And the only personal information provided by our clients we may store is the clients’ and their employees’ names and phone numbers. As such and as advised by our PRC Legal Advisor, we have never been subjected to any penalties or claims for violating applicable data security or cybersecurity laws. In addition, as (i) the Cybersecurity Law and the Cybersecurity Review Measures have not directly affected our business and we have not been involved in any investigations on cybersecurity review made by the relevant authorities and has not received any inquiry, notice, warning, or sanctions in such respect; and (ii) we have not received any inquiry, notice, warning, or sanctions regarding this offering from the CSRC or any other PRC government authorities as at the date of this prospectus, our Directors and our PRC Legal Advisor are of the view that, as at the date of this prospectus, the current applicable PRC laws on cybersecurity and the Opinions on Strictly Cracking Down on Illegal Securities Activities would not have a material adverse impact on our Group’s business.

## SUMMARY

### 2. *Regulatory Developments on Overseas Listing*

On 24 December 2021, the CSRC, together with other relevant government authorities in China issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)), and the Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (境內企業境外發行上市備案管理辦法(徵求意見稿)) (collectively the “**Draft Listing Regulations**”). The Draft Listing Regulations, if adopted in their current forms, will regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities by adopting a filing-based regulatory regime. As of the Latest Practicable Date, the Draft Listing Regulations were in draft form and had not come into effect.

Our PRC Legal Advisor is of the view that our Company is not currently subject to any filing procedures with or approval by the CSRC. Our Directors and PRC Legal Advisor are of the view that assuming the Draft Listing Regulations are adopted in their current forms, as long as we comply with all relevant legal requirements, take all necessary steps, and submit all relevant materials in accordance with the Draft Listing Regulations, there is not any material legal impediment in obtaining the approval from and completing the filing procedure with the CSRC for the Global Offering. This view is on the basis that, although the implementation of the Draft Listing Regulations, if adopted in their current forms, will be subject to the discretion and interpretation of the CSRC, we and our PRC Legal Advisor are not aware of any of the circumstances stipulated in Article 7 of the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) prohibiting a domestic company from conducting an overseas listing (境外上市) that are applicable to us. In addition, our Directors and PRC Legal Advisor are of the view that we will be able to comply with all the relevant legal requirements, take all necessary steps, and submit all relevant materials in accordance with the Draft Listing Regulations.

Our Directors confirm that, as at the date of this prospectus, the Group has not received any enquiries, notice, sanction and other concerns, from any authorities, in regards to its qualification of overseas listing, Contractual Arrangements and VIE structure.

Based on our consultation with the Information and Communication Development Department (信息通信發展司) of the MIIT, they were fully aware of the VIE structure and listing plan, and had raised no objection to the contractual arrangement. As of the date of this prospectus, the Group has received no enquiries, notice, sanction and other concerns from any authorities in relation to its overseas listing, Contractual Arrangements and VIE structure.

#### *No material adverse change*

Our Directors confirm that, as at the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 December 2021, being the latest date of our consolidated financial statements as set out in the Accountant’s Report in Appendix I to this prospectus, and there is no event since 31

## SUMMARY

December 2021 that would materially affect the information as set out in the Accountant's Report in Appendix I to this prospectus.

Based on the unaudited management account, our overall revenue and gross profit for the first quarter of 2022 have grown as compared to the three months ended 31 March 2021. Our gross profit margin also has improved as compared with that for the year ended 31 December 2021 due to the increase in both of our CRM PaaS and SaaS gross profit margin.

Prospective investors should be aware of the impact of the non-recurring listing expenses on the financial performance of our Group for the year ended 31 December 2021, which is partly recognised as expenses in our consolidated statements of comprehensive income. For further details, please see the paragraph headed "Listing expenses" in this section and the paragraph headed "Financial Information — Listing expenses" in this prospectus. Save as discussed above, our Directors confirm that, as of the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects of our Group since 31 December 2021, the end of the period reported on in the Accountant's Report set out in Appendix I to this prospectus.

### LEGAL PROCEEDINGS AND NON-COMPLIANCE

As at the Latest Practicable Date, we were not engaged in any material legal, arbitration or administrative proceedings, regulatory inquiries or investigations, nor to our Directors' knowledge are any pending or threatened against us. During the Track Record Period, we were involved in various non-compliance incidents which were mainly related to our manner and level of contribution to employees' social insurance and housing provident funds in the PRC. For further details, please refer to the paragraph headed "Business — Legal proceedings and non-compliance" in this prospectus.

### OFFERING STATISTICS

	<b>Based on the minimum indicative Offer Price of HK\$4.93 per Offer Share</b>	<b>Based on the maximum indicative Offer Price of HK\$6.91 per Offer Share</b>
Number of Hong Kong Offer Shares	3,440,000	3,440,000
Number of International Offer Shares	30,950,500	30,950,500
Board lot	500 shares	500 shares
Market capitalisation <sup>(Note 1)</sup>	HK\$2,762.4 million	HK\$3,871.8 million
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share <sup>(Note 2)</sup>	HK\$0.84	HK\$0.96



## SUMMARY

*Notes:*

- (1) The calculation of market capitalisation is based on 560,320,500 Shares expected to be in issue immediately upon completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised). The calculation is based on the indicative Offer Price of HK\$4.93 and HK\$6.91.
- (2) The unaudited pro forma adjusted consolidated net tangible asset of our Group attributable to the owners of our Company per Share is calculated based on 560,320,500 Shares expected to be in issue immediately upon completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised). The calculation is based on the indicative Offer Price of HK\$4.93 and HK\$6.91. Please refer to “Unaudited Pro Forma Financial Information” set out in Appendix II to this prospectus for details.

### LISTING EXPENSES

Based on the mid-point Offer Price of HK\$5.92 and assuming Over-allotment Option not exercised, the total estimated listing expenses in relation to the Global Offering is RMB39.9 million (representing 24.0% of the estimated gross proceeds from the Global Offering). During the Track Record Period, Listing expenses of RMB16.6 million were incurred of which RMB15.6 million were charged to our consolidated statements of comprehensive income and RMB1.0 million were recognised to our consolidated statements of financial position. We estimate that we will further incur listing expenses of RMB23.3 million of which RMB11.8 million will be charged to our consolidated statements of comprehensive income and RMB11.5 million, which mainly includes underwriting commission, is expected to be accounted for as a deduction from equity upon the completion of Capitalisation Issue and the Global Offering.

### FUTURE PLANS AND USE OF PROCEEDS

We estimated that the aggregate net proceeds of the Global Offering (after deducting underwriting fees and estimated Listing expenses payable by us in connection with the Global Offering) based on the Offer Price of HK\$5.92 per Offer Share (being the mid-point of the indicative Offer Price range) will be approximately HK\$173.9 million assuming that no Over-allotment Option is exercised. We currently intend to apply such net proceeds as follows:

- 15%, or HK\$26.1 million will be used for improving our cPaaS technology infrastructure and enhancing our research and development ability on AI and DI;
- 40%, or HK\$69.5 million will be used for strengthening and extending our CRM SaaS services by continuous innovation;
- 30%, or HK\$52.2 million will be used for investment in improving sales and marketing abilities;
- 10%, or HK\$17.4 million will be used for pursuing strategic investments and acquisitions to expand and enrich our existing CRM SaaS services, strengthening our technologies and expanding our client base; and
- 5%, or HK\$8.7 million will be used for working capital and general corporate use.

## DEFINITIONS

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

“Accountant’s Report”	the accountant’s report for our Group, the text of which is set out in Appendix I to this prospectus
“ACE Quality”	ACE Quality Capital Limited (佳宏資本有限公司), a business company incorporated in the BVI on 7 April 2021, which is wholly-owned by Mr. Zhang Wei (張煒)
“Articles” or “Articles of Association”	the article of association of our Company conditionally adopted on 15 June 2022 with effect from the Listing Date, as amended from time to time, a summary of which is set out in “Summary of the constitution of our Company and Cayman Islands Companies Act” in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	a committee of the Board established by the Board for the purpose of overseeing the accounting and financial reporting processes of our Company and audits of the financial statements of our Company
“Baoya Group”	Baoya Group Holdings Limited (保雅集團控股有限公司), a business company incorporated in the BVI on 7 April 2021, which is wholly-owned by Mr. Song
“Beijing Xiuwu”	Beijing Xiuwu Wenyu Technology Co., Ltd. (北京秀武文昱科技有限公司), a limited liability company incorporated in the PRC on 9 May 2008, which is one of our Consolidated Affiliated Entities
“Board”	the board of directors of our Company
“Bravo Great”	Bravo Great Capital Limited (博偉資本有限公司), a business company incorporated in the BVI on 7 April 2021, which is wholly-owned by Mr. Zhang Boxiao (張博曉)
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands

## DEFINITIONS

“Capitalisation Issue”	the issue of 473,337,000 Shares upon capitalisation of part of the share premium account of the Company referred to the paragraph headed “Statutory and General Information — A. Further information about our Company and subsidiaries — 4. Resolutions of the Shareholders passed on 15 June 2022” set out in Appendix IV to this prospectus
“Cayman Islands Companies Act”	the Companies Act (As Revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System ( <a href="https://ip.ccass.com">https://ip.ccass.com</a> ) or through the CCASS Phone System (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC’s Customer Service Center by completing an input request
“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

## DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Champion Team”	Champion Team Capital Limited (冠群資本有限公司), a business company incorporated in the BVI on 7 April 2021, which is wholly-owned by Mr. Sun Junwen (孫軍文)
“Chengda Coastal”	Chengda Coastal Industry (Dalian) Fund Phase I (Limited Partnership) (成大沿海產業(大連)基金壹期(有限合伙)), a limited partnership established on 14 December 2011 in the PRC, one of the Pre-IPO Investors and one of the Registered Shareholders
“China” or “the PRC”	the People’s Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires otherwise, references in this prospectus to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan
“Circular 37”	the Notice on Issues Relating to Foreign Exchange Control on Offshore Investment, Financing and Round-trip Investment by Domestic Residents Through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), published by the SAFE on 4 July 2014
“CITIC Securities”	CITIC Securities Company Limited (中信證券股份有限公司), a joint stock limited company incorporated in the PRC and one of the Registered Shareholders
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”, “our Company” or “the Company”, “We” or “Us”	Xuan Wu Cloud Technology Holdings Limited (玄武云科技控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 26 April 2021
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules

## DEFINITIONS

“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Affiliated Entities”	the entities we control through the Contractual Arrangements, namely, Xuan Wu and its subsidiaries (each a “ <b>Consolidated Affiliated Entity</b> ”), the financial results of which have been consolidated and accounted for as the subsidiaries of our Group by virtue of the Contractual Arrangements and the details of which are set out in the section headed “History and Reorganisation” in this prospectus
“Contractual Arrangements”	the series of contractual arrangements entered into between Xuantao, Xuan Wu and its subsidiaries and the Registered Shareholders, details of which are described in the section headed “Contractual Arrangements” in this prospectus
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, which collectively refers to Mr. Chen, Mr. Huang, Mr. Li, Zhenghao Global, Honghan Worldwide, Double Winner, Guangzhou Xuannan, Guangzhou Xuanxi and Guangzhou Xuanbei as further detailed in the section headed “Relationship with our Controlling Shareholders” in this prospectus
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“COVID-19”	Novel Coronavirus (COVID-19) or Novel Coronavirus Pneumonia, a respiratory illness caused by a new strain of coronavirus and characterised especially by fever, cough, and shortness of breath and may progress to pneumonia and respiratory failure
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Deed of Indemnity”	the deed of indemnity dated 15 June 2022 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of the subsidiaries), details of which are set out in the paragraph headed “Statutory and General Information — E. Other information — 10. Tax and other indemnity” set out in Appendix IV to this prospectus

## DEFINITIONS

“Dejiu”	Guangzhou Dejiu Information Technology Co., Ltd. (廣州德久信息科技有限公司), a limited liability company incorporated in the PRC on 4 January 2017, which is our Consolidated Affiliated Entity
“Director(s)”	director(s) of our Company
“Double Winner”	Double Winner Worldwide Limited (商盈環球有限公司), a business company incorporated in the BVI on 7 April 2021, which is wholly-owned by Mr. Li, one of our Controlling Shareholders
“East Pride Development”	East Pride Development Limited (東豪發展有限公司), a business company incorporated in the BVI on 7 April 2021, which is wholly-owned by Mr. Guo Haiqiu (郭海球)
“East Pride Industrial”	East Pride Industrial Limited (東敖實業有限公司), a business company incorporated in the BVI on 7 April 2021, which is wholly-owned by Mr. Xie Lejun (謝樂軍)
“EIT”	the PRC enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), promulgated on 16 March 2007 and effective on 1 January 2008, and the Regulation on the Implementation of the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法實施條例)
“ESOP Platform(s)”	Guangzhou Xuandong, Guangzhou Xuanxi, Guangzhou Xuannan and Guangzhou Xuanbei or any one or more of them as the context requires
“Extreme Conditions”	any extreme conditions or events, the occurrence of which will cause interruption to the ordinary course of business operations in Hong Kong and/or that may affect the Price Determination Date or the Listing Date
“Foreign Investment Negative List”	the Special Administrative Measures on Access to Foreign Investment (Negative List) (2021 Edition) (外商投資准入特別管理措施(負面清單)(2021年版)) which was promulgated jointly by the MOFCOM and the NDRC on 27 December 2021 and became effective on 1 January 2022

## DEFINITIONS

“Fortune Global 500”	an annual ranking of the top 500 corporation worldwide as measured by revenue, compiled and published annually by Fortune magazine
“FRC”	Financial Reporting Council
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
“Frost & Sullivan Report”	an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this prospectus
“Genius Professional”	Genius Professional Asia Pacific Limited (智專亞太集團有限公司), a business company incorporated in the BVI on 7 April 2021, which is wholly-owned by Mr. Tang Bin (唐斌)
“GF Qianhe”	GF Qianhe Investment Co., Ltd. (廣發乾和投資有限公司), a limited liability company incorporated on 11 May 2012 in the PRC, one of our Pre-IPO Investors and one of the Registered Shareholders
“GF Securities”	GF Securities Co., Ltd. (廣發證券股份有限公司), a joint stock limited company incorporated on 21 January 1994 in the PRC and one of the Registered Shareholders
“GL Venture Capital”	Gongqing City Blue Stone Investment Partnership (Limited Partnership) (共青城蘭石創業投資合夥企業(有限合夥)), a limited partnership established on 20 August 2020 in the PRC, one of our Pre-IPO Investors and one of the Registered Shareholders
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GREEN Application Form(s)”	the application form(s) to be completed by the <b>White Form eIPO</b> Service Provider, Computershare Hong Kong Investor Services Limited

## DEFINITIONS

“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	our Company, its subsidiaries and Consolidated Affiliated Entities from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries and Consolidated Affiliated Entities, such subsidiaries and Consolidated Affiliated Entities as if they were subsidiaries and Consolidated Affiliated Entities of our Company at the relevant time
“Guangzhou Guanghan”	Guangzhou Guanghan Information Technology Co., Ltd. (廣州市廣瀚信息科技有限公司), a limited liability company incorporated in the PRC on 21 October 2011, which is one of our Consolidated Affiliated Entities
“Guangzhou Jixin”	Guangzhou Jixin Communication Technology Co., Ltd. (廣州市即信通信科技有限公司), a limited liability company incorporated in the PRC on 5 May 2017, which is one of our Consolidated Affiliated Entities
“Guangzhou Shangyu”	Guangzhou Shangyu Wireless Technology Co., Ltd. (廣州市商域無線科技有限公司), a limited liability company incorporated in the PRC on 4 June 2007, which is one of our Consolidated Affiliated Entities
“Guangzhou Xingjian”	Guangzhou Xingjian Xintong Technology Co., Ltd. (廣州行健信通科技有限公司), a limited liability company incorporated in the PRC on 10 March 2020, which is one of our Consolidated Affiliated Entities
“Guangzhou Xuanbei”	Guangzhou Xuanbei Investment Co., Ltd. (Limited Partnership) (廣州玄北投資有限合夥企業(有限合夥)), a limited partnership established in the PRC on 21 May 2015, one of the Registered Shareholders, and one of our Controlling Shareholders
“Guangzhou Xuandong”	Guangzhou Xuandong Investment Co., Ltd. (Limited Partnership) (廣州玄東投資有限合夥企業(有限合夥)), a limited partnership established in the PRC on 20 May 2015 and one of the Registered Shareholders
“Guangzhou Xuannan”	Guangzhou Xuannan Investment Co., Ltd. (Limited Partnership) (廣州玄南投資有限合夥企業(有限合夥)), a limited partnership established in the PRC on 20 May 2015, one of the Registered Shareholders, and one of our Controlling Shareholders



## DEFINITIONS

“Guangzhou Xuanxi”	Guangzhou Xuanxi Investment Co., Ltd. (Limited Partnership) (廣州玄西投資有限合夥企業(有限合夥)), a limited partnership established in the PRC on 20 May 2015, one of the Registered Shareholders, and one of our Controlling Shareholders
“Guangzhou Xuanxun”	Guangzhou Xuanxun Information Technology Co., Ltd. (廣州市玄訊信息技術有限公司), a limited liability company incorporated in the PRC on 20 May 2014, which is one of our Consolidated Affiliated Entities
“Guangzhou Xuxin”	Guangzhou Xuxin Information Technology Co., Ltd. (廣州市煦鑫信息科技有限公司), a limited liability company incorporated in the PRC on 18 February 2013, which is one of our Consolidated Affiliated Entities
“Guangzhou Zhengjun”	Guangzhou Zhengjun Information Technology Co., Ltd. (廣州市正君信息科技有限公司), a limited liability company incorporated in the PRC on 28 January 2013, which is one of our Consolidated Affiliated Entities
“Guangzhou Zhengxin”	Guangzhou Zhengxin Investment Partnership (Limited Partnership) (廣州正信投資合夥企業(有限合夥)), a limited partnership established on 4 July 2019 in the PRC, one of our Pre-IPO Investors and one of the Registered Shareholders
“Guangzhou Zhongmai”	Guangzhou Zhongmai Guangwei Information Technology Co., Ltd. (廣州中邁廣維信息科技有限公司), a limited liability company incorporated in the PRC on 26 September 2012, which is one of our Consolidated Affiliated Entities
“Guidance Catalogue”	the Catalogue of Industries for Encouraging Foreign Investment (2020 Version) (鼓勵外商投資產業目錄(2020年版)), was promulgated jointly by the MOFCOM and the NDRC on 27 December 2020 and became effective on 27 January 2021
“Henan Shangfang”	Henan Shangfang Communication Technology Co., Ltd. (河南上方通信技術有限公司), a limited liability company incorporated in the PRC on 14 June 2011, which is one of our Consolidated Affiliated Entities

## DEFINITIONS

“HKFRS”	Hong Kong Financial Reporting Standards, amendments and the related interpretations issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Offer Shares”	3,440,000 new Shares initially being offered at the Offer Price (plus brokerage, SFC transaction levies, FRC transaction levies and Hong Kong Stock Exchange trading fees) for subscription in the Hong Kong Public Offering, subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price (plus brokerage, SFC transaction levy, FRC transaction levy and Hong Kong Stock Exchange trading fee), on and subject to the terms and conditions described in the section headed “Structure of the Global Offering” in this prospectus
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchange and Clearing Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering referred to in the paragraph headed “Underwriting — Hong Kong Underwriters” in this prospectus

## DEFINITIONS

“Hong Kong Underwriting Agreement”	the conditional underwriting agreement dated 22 June 2022 relating to the Hong Kong Public Offering entered into, among others, by our Company, the Representative and the Hong Kong Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Honghan Worldwide”	Honghan Worldwide Limited (宏漢環球有限公司), a business company incorporated in the BVI on 7 April 2021, which is wholly-owned by Mr. Huang, one of our Controlling Shareholders
“Horizon Worldwide”	Horizon Worldwide Holding Group Incorporated (鵬際集團有限公司), a business company incorporated in the BVI on 7 April 2021, which is wholly-owned by Mr. Wu Fugui (吳富貴)
“Independent Third Party(ies)”	any individual(s) or entity(ies) who, as far as our Directors are aware, is/are not connected with our Company or our connected persons within the meaning ascribed under the Listing Rules
“International Offer Shares”	the 30,950,500 Shares being initially offered in the International Offering for subscription or purchase under the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option, subject to reallocation as further referred to in the section headed “Structure of the Global Offering” in this prospectus
“International Offering”	the conditional placing of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in reliance on Regulation S, as further referred to in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the international underwriters of the International Offering who are expected to enter into the International Underwriting Agreement as purchasers on or about the Price Determination Date

## DEFINITIONS

“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among other parties, our Company, the Representative and the International Underwriters on or about the Price Determination Date
“Joint Bookrunners”	CMB International Capital Limited, Huatai Financial Holdings (Hong Kong) Limited, CLSA Limited, Guotai Junan Securities (Hong Kong) Limited and Citrus Securities Limited
“Joint Global Coordinators”	CMB International Capital Limited, Huatai Financial Holdings (Hong Kong) Limited and CLSA Limited
“Joint Lead Managers”	CMB International Capital Limited, Huatai Financial Holdings (Hong Kong) Limited, CLSA Limited, Guotai Junan Securities (Hong Kong) Limited, Citrus Securities Limited and Livermore Holdings Limited
“Labour Contract Law”	the Labour Contract Law of the PRC (中華人民共和國勞動合同法), first issued by the NPC on 29 June 2007, effective on 1 January 2008, as amended, supplemented or otherwise modified from time to time
“Latest Practicable Date”	16 June 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Committee”	the listing committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or about Friday, 8 July 2022 on which the Shares are listed on the Hong Kong Stock Exchange and from which dealings in the Shares are permitted to commence on the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Main Board”	the stock exchange (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“M&A Rules”	the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》)

## DEFINITIONS

“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company conditionally adopted on 15 June 2022 with effect from the Listing Date, as amended from time to time, a summary of which is set out in the section headed “Summary of the constitution of our Company and Cayman Islands Companies Act” in Appendix III to this prospectus
“MIIT”	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM” or “Ministry of Commerce”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Chen”	Mr. Chen Yonghui (陳永輝), a Director and a Controlling Shareholder of our Company and one of the Registered Shareholders
“Mr. Huang”	Mr. Huang Fangjie (黃仿傑), a Director and a Controlling Shareholder of our Company and one of the Registered Shareholders
“Mr. Li”	Mr. Li Hairong (李海榮), a Director and a Controlling Shareholder of our Company and one of the Registered Shareholders
“Mr. Song”	Mr. Song Xiaohu (宋小虎), a Substantial Shareholder and one of the Registered Shareholders
“Mr. Xie”	Mr. Xie Lejun (謝樂軍), one of the Registered Shareholders
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NEEQ”	the National Equities Exchange and Quotations Co., Ltd. (全國中小企業股份轉讓系統), a Chinese over-the-counter system for trading the Shares of a public limited company

## DEFINITIONS

“Nomination Committee”	a committee of the Board established by the Board to make recommendations to our Board in relation to the appointment and removal of Directors and senior management, and on matters of succession planning
“NPC”	National People’s Congress of the PRC (全國人民代表大會)
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.005%) at which the Hong Kong Offer Shares are to be subscribed and to be determined in the manner further described in the paragraph entitled “Structure of the Global Offering — Pricing” in this prospectus
“Offer Share(s)”	the International Offer Shares and the Hong Kong Offer Shares, where relevant, with any additional Shares to be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option
“Omicron”	a variant of SARS-CoV-2 that was first reported to the World Health Organization from South Africa on 24 November 2021
“OPCOs”	the operating companies established in the PRC, including Xuan Wu, Guangzhou Guanghan, Guangzhou Shangyu, Beijing Xiuwu, Guangzhou Zhengjun, Henan Shangfang, Guangzhou Xuxin, Guangzhou Zhongmai, Guangzhou Xuanxun, Guangzhou Jixin, Dejiu, Tianjin Xingjian and Guangzhou Xingjian
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Representative (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 5,158,500 additional Shares (representing approximately 15% of our Offer Shares initially being offered under the Global Offering) at the Offer Price to cover over-allocations in the International Offering, if any, please refer to the paragraph headed “Structure of the Global Offering — The International Offering — Over-allotment Option” in this prospectus for further details

## DEFINITIONS

“PBOC”	People’s Bank of China (中國人民銀行), the central bank of the PRC
“Pluto Connection”	Pluto Connection Limited, a business company incorporated in the BVI on 2 April 2015, which is indirectly wholly-owned by CITIC Securities
“PRC government” or “State”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“PRC Legal Advisor”	Beijing Zhong Lun Law Firm (Shenzhen Office), the PRC legal advisor of our Company
“Pre-IPO Investment(s)”	for details of the transactions, please refer to the paragraph headed “History and Reorganisation — The Pre-IPO Investments” in this prospectus
“Pre-IPO Investor(s)”	GF Qianhe, GL Venture Capital, Chengda Coastal, Zhuhai Qingshi and Guangzhou Zhengxin, who invested in Xuan Wu in September 2020 or October 2020, and “ <b>Pre-IPO Investor</b> ” means any one of them. For details, please refer to the paragraph headed “History and Reorganisation — The Pre-IPO Investments — Information regarding the Pre-IPO Investors” in this prospectus
“Price Determination Agreement”	the agreement to be entered into by our Company and the Representative (for itself and on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about Thursday, 30 June 2022, on which the Offer Price will be determined and, in any event, not later than Wednesday, 6 July 2022
“Registered Shareholders”	the registered shareholders of Xuan Wu, collectively, Mr. Chen, Mr. Song, Mr. Huang, Mr. Li, the ESOP Platforms, Shanghai Fosun, Mr. Xie, GF Qianhe, Mr. Guo Haiqiu, Guangzhou Zhengxin, GL Venture Capital, SZR Investment, Mr. Chen Zhengxu, Mr. Wu Fugui, GF Securities, Chengda Coastal, Mr. Zhang Wei, CITIC Securities, Zhuhai Qingshi, Mr. Zhang Boxiao, Mr. Tang Bin and Mr. Sun Junwen

## DEFINITIONS

“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	a committee of the Board established by the Board to discharge the Board’s responsibilities relating to the remuneration of Directors and executive officers of our Company
“Reorganisation”	the reorganisation of our Group in preparation for the Listing, details of which are set out in the paragraph headed “History and Reorganisation — Our Reorganisation” in this prospectus
“Reporting Accountant”	PricewaterhouseCoopers, Certified Public Accountants under the Professional Accountant Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under the Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
“Representative”	CMB International Capital Limited
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
“SAIC”	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), currently known as SAMR
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), formerly known as the SAIC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shanghai Fosun”	Shanghai Fosun Weishi Fund (上海復星惟實一期股權投資基金合夥企業(有限合夥)), a limited partnership established on 23 April 2012 in the PRC and one of the Registered Shareholders
“Share(s)” or “Ordinary Share(s)”	ordinary share(s) in the capital of our Company with nominal value of US\$0.0001 each



## DEFINITIONS

“Shareholder(s)”	holder(s) of Share(s)
“SOE”	State-owned enterprise. For the purpose of this prospectus, SOE refers to enterprise that is (1) wholly owned by the state, (2) majority-owned by a government body, public authority, public institution, or any combination of such entities in aggregate, or (3) majority-owned by any such entities in (1) or (2)
“Sole Sponsor”	CMB International Capital Limited
“STA”	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
“Stabilising Manager”	CMB International Global Markets Limited
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilising Manager and Zhenghao Global
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance, and shall also include our Consolidated Affiliated Entities unless the context requires otherwise
“Substantial Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“SZR Investment”	Shenzhen Zhongou Runlong Investment Management Co., Ltd. (深圳市中歐潤隆投資管理有限公司), a limited liability company incorporated on 13 May 2015 in the PRC and a private equity manager registered with the Asset Management Association of China and one of the Registered Shareholders
“Takeovers Code” or “Hong Kong Takeover Code”	the Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Tianjin Xingjian”	Tianjin Xingjian Xintong Technology Co., Ltd. (天津行健信通科技有限公司), a limited liability company incorporated in the PRC on 9 May 2017, which is one of our Consolidated Affiliated Entities

## DEFINITIONS

“Top Lux”	Top Lux Industrial Limited (富豐實業有限公司), a business company incorporated in the BVI on 7 April 2021, which is wholly-owned by Mr. Chen Zhengxu (陳正旭)
“Track Record Period”	the four financial years of the Company ended 31 December 2021
“Underwriters”	collectively, the International Underwriters and the Hong Kong Underwriters
“Underwriting Agreements”	collectively, the International Underwriting Agreement and the Hong Kong Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollars” or “US\$”	U.S. dollars, the lawful currency of the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
“VAT”	value-added tax
“VIE(s)”	variable interest entity(ies)
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at <a href="http://www.eipo.com.hk">www.eipo.com.hk</a>
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Xuantaotao”	Guangzhou Xuantaotao Intelligent Cloud Technology Co., Ltd. (廣州市玄韜智慧雲科技有限公司), a limited liability company incorporated in the PRC on 6 August 2021, which is our indirect wholly-owned subsidiary
“Xuanwu Information and Technology”	Guangzhou Jiemiao Trade Limited (廣州市捷妙貿易有限公司), formerly known as Guangzhou Xuanwu Information and Technology Limited (廣州市玄武資訊科技有限公司), a limited liability company incorporated in the PRC on 22 June 2000 and deregistered on 12 December 2017

## DEFINITIONS

“Xuan Wu”	Guangzhou Xuan Wu Wireless Technology Co., Ltd. (廣州市玄武無線科技股份有限公司), a joint stock limited company incorporated in the PRC on 2 November 2010, which is one of our Consolidated Affiliated Entities
“Xuan Wu BVI”	Xuan Wu Cloud (BVI) Limited (玄武雲維爾京有限公司), a limited liability company incorporated under the laws of the BVI on 28 May 2021, which is our direct wholly-owned subsidiary
“Xuan Wu HK”	Xuan Wu Cloud HK Limited (玄武雲香港有限公司), a private company limited by shares incorporated under the laws of Hong Kong on 17 June 2021, which is our indirect wholly-owned subsidiary
“Zhenghao Global”	Zhenghao Global Holding Limited (正浩環球控股有限公司), a business company incorporated in the BVI on 7 April 2021, which is wholly-owned by Mr. Chen and a Controlling Shareholder of our Company
“Zhuhai Qianheng”	Zhuhai Qianheng Investment Management Co., Ltd. (珠海乾亨投資管理有限公司), a limited liability company incorporated on 26 March 2015 in the PRC
“Zhuhai Qingshi”	Zhuhai Qingshi Investment Partnership (Limited Partnership) (珠海擎石投資合夥企業(有限合夥)), a limited partnership established on 27 November 2018 in the PRC, one of our Pre-IPO Investors and the Registered Shareholders

Words importing the singular include, where applicable, the plural and vice versa. Words importing the masculine gender include, where applicable, the feminine and neuter genders.

All dates and times refer to Hong Kong dates and times unless otherwise stated.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

The English translation of the PRC entities, enterprises, nationals, facilities, laws or regulations from Chinese or another language included in this prospectus is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, laws or regulations and their English translations, the Chinese names shall prevail.

## GLOSSARY

*This glossary of technical terms contains terms used in this prospectus as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.*

“AI”	artificial intelligence
“AIoT”	the combination of artificial intelligence (AI) technologies with the internet of things (IoT) infrastructure
“all-channel”	the online and offline channels between enterprises and their customers for the purpose of products and services distribution or delivery
“aPaaS”	application platform as a service
“API”	application programming interface
“CAGR”	compound annual growth rate
“cloud-based”	applications, services or resources made available to users on demand via the internet from a cloud computing provider’s server with access to shared pools of configurable resources
“cPaaS”	communication platform as a service
“CRM”	customer relationship management
“clients’ retention rate”	the retention rate of a certain group of client for a given period is calculated by dividing the number of clients for the same period in the previous year who remain our clients in the current period by the total number of clients for the same period in the previous year
“DI”	data intelligence, all the analytical tools and methods a company employs to form a better understanding of and get insights from the information
“DMS”	distributor management system
“Government-related industry”	in the context of describing our clients, denotes public utility entities and government organisations
“ICC”	integrated communication centre

## GLOSSARY

“ICP”	internet content provider
“IoT”	internet of things
“module”	in the context of describing our technology infrastructure, a module refers to a part of a system or application that can operate to support specific functionality or use cases such as call, message and management, and a module is usually comprised of multiple functions
“MOS”	message operating system
“multi-touch”	a net containing various forms of connection, such as, online, offline, business (unified management of marketing and operational communications) and social (integrating contact information of users over various telecom channels and mainstream social media channels) which facilitates the interaction between enterprises and their customers
“PaaS”	Platform as a Service
“PMM”	promoter merchandiser management
“RMS”	retail management system
“SaaS”	software as a service
“SDK”	software development kit
“SFA”	sales forces automation
“SMS”	short message service
“SP”	service provider (excluding internet content)
“TAM”	total addressable market
“TPM”	trade promotion management
“UMP”	universal message platform (統一消息溝通平台)

## FORWARD-LOOKING STATEMENTS

Certain statements herein are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, future events, or performance (often, but not always, through the use of words or phrases such as ‘will’, ‘expect’, ‘anticipate’, ‘estimate’, ‘believe’, ‘going forward’, ‘ought to’, ‘may’, ‘seek’, ‘should’, ‘intend’, ‘plan’, ‘projection’, ‘could’, ‘vision’, ‘goals’, ‘aim’, ‘aspire’, ‘objective’, ‘target’, ‘schedules’, ‘outlook’, ‘continue’, ‘would’, ‘consider’, and ‘predict’) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed herein), uncertainties and other factors some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results, outcomes, performance or achievements, or industry results to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our business development, financial condition and results of operations;
- our business and growth strategies and our ability to implement such strategies;
- our capital expenditure plans;
- capital market developments;
- our dividend policy;
- various business opportunities that we may pursue;
- our ability to develop and manage our operations and business;
- our ability to control costs and expenses;
- our ability to identify and satisfy our clients’ demands and preferences;
- our ability to maintain good relationships with business partners;
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate;
- the actions and developments of our competitors; and
- all other risks and uncertainties referred to in the section headed “Risk Factors” in this prospectus.

## FORWARD-LOOKING STATEMENTS

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as at the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of, or references to, our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

All forward-looking statements in this prospectus are expressly qualified by reference to this cautionary statement.

## RISK FACTORS

### RISKS RELATED TO OUR BUSINESS AND INDUSTRY

**We rely on major telecommunication network operators for their provision of telecommunication resources. If we fail to maintain our collaborations with these telecommunication network operators or they keep increasing their service fees level, our business, results of operations and financial condition will be materially and adversely affected.**

We interconnect with telecommunication network operators in the PRC to enable the use of our services by our clients. Specifically, we obtain telecommunication resources from telecommunication network operators and offer our cPaaS platform and other solutions to allow our clients to access and utilise these resources in a way that suits their specific communication needs. We currently collaborate with all three major telecommunication network operators in the PRC.

Our cost of sales incurred from the three major telecommunication network operators in the PRC amounted to RMB258.5 million, RMB315.1 million, RMB488.3 million and RMB609.5 million for the four years ended 31 December 2021, respectively. In particular, we rely on client-supplier E as our largest supplier who accounted for 60.2%, 59.6%, 69.8% and 70.3% of our cost of sales for the four years ended 31 December 2021. Our reliance on client-supplier E for provision of telecommunication resources will have significant impact on our business, results of operations and financial condition in the event of any shortage of or delay in their provision of telecommunication resources. For details of our relationship with these suppliers, please refer to the paragraph headed “Business — Our suppliers” in this prospectus.

In addition, the fees charged by telecommunication network operators may fluctuate more frequently than we could charge our clients to pass on the increased cost, which may adversely affect our business, margins and financial condition. Our ability to respond to any increased fees charged by telecommunication network operators may be constrained if all telecommunication network operators implement similar fee increases, if the magnitude of the fees are disproportionately large when compared to the underlying prices we charge our clients, or if the market conditions and competitive landscape limit our ability to increase the price that we charge our clients. If we are unable to respond to such fee increases in a way that preserves the competitiveness or profitability of our services, our business, results of operations and financial condition could be materially and adversely affected. During the Track Record Period, our financial performance had been adversely affected due to the increase of services fees of telecommunication resources. The telecommunication network operators commenced the general increase in their service fees in the fourth quarter of 2019, and the average service fees continued to increase in 2020 mostly due to the general increase back in the fourth quarter of 2019 which had led to the decrease in gross profit margin during relevant periods, whereas the average service fees stayed relatively stable during 2021. The average per unit service fees of telecommunication resources increased for 5.3% from 2020 to 2021, while it increased for 22.6% from 2019 to 2020. If the service fees level continues to increase, our profitability may be further adversely affected if we are not able to swiftly pass the increased costs on our clients.



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Our close collaborations with the major telecommunication network operators have reduced our operating flexibility as there are very limited alternatives in terms of securing telecommunication resources in the PRC due to the current regulatory administration on the telecommunication network operators. Furthermore, despite that we have historically collaborated closely with the major telecommunication network operators in the PRC and their local branches, they may terminate our collaborations upon expiration. Although we were generally able to renew our contracts with the telecommunication network operators and their local branches in the past, if a significant portion of such telecommunication network operators and their local branches cease to provide us with access to their telecommunication resources or fail to provide services to us on favourable terms, or if we fail to maintain our collaborations with these major telecommunication network operators, our business, results of operations and financial condition will be materially and adversely affected.

**We have experienced an increase in our costs of telecommunication resources, our actual pricing may vary from our estimations due to unexpected circumstances, thereby affecting our pricing ability, business, results of operations and financial conditions.**

According to Frost & Sullivan, the service fees of telecommunication resources are expected to remain relatively stable, primarily because the gaps of the resource fee charged by the three major telecommunication network operators have converged gradually from the previous price adjustment. Nonetheless, if there is any further or unexpected significant increase in telecommunication costs, there is no assurance that we will be able to shift the increase in cost to our clients or to shift the increase in cost in time to our clients. Such cost overruns with our initial estimate may cause our profitability to be lower than what we expected. As such, a further increase in telecommunication costs may negatively affect our pricing ability, business, results of operations and financial conditions.

**If we fail to manage the growth and expansion of our business and operations, our business, results of operations and financial condition may be materially and adversely affected.**

We have been expanding the type and scale of our business and the geographic presence in the PRC of our services since our inception. We may continue to launch more new business initiatives as we unearth more pressing needs of the intelligent CRM services industry. Such expansion in business, while introducing more monetisation opportunities, may increase the complexity of our operations and place a significant strain on our managerial, operational, financial and human resources.

During the Track Record Period, the revenue generated was RMB518.8 million, RMB600.2 million, RMB796.8 million and RMB991.9 million for the four years ended 31 December 2021, respectively, representing a CAGR of 24.1% from 2018 to 2021. However, We cannot assure that we will achieve similar growth rates in the future. Our current and planned personnel, business systems, operation procedures and controls may not be adequate to support our future growth and expansion. We cannot ensure that we will be able to effectively manage our growth or to implement all these business systems, operation procedures and control measures successfully, neither can we guarantee that our new business initiatives will be as successful as expected.

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**If we fail to improve and enhance the functionality, performance, reliability, design, security, and scalability of our services and solutions to suit our clients' evolving needs, our clients may not repurchase our services and/or solutions, which, in turn, will have a material and adverse impact on our business, results of operations and financial condition.**

The market in which we operate and compete is characterised by constant change and innovation, and we expect this market to continue to evolve rapidly. Our success to date has been based on our ability to identify and anticipate the needs of our clients and design services and solutions that provide our clients with the tools they require to develop their businesses. For details on the services that we offer, please refer to the paragraph headed "Business — Our services" in this prospectus. Our ability to attract new clients, retain existing clients, increase sales to both new and existing clients and increase cross-sales of our CRM PaaS services and CRM SaaS services will highly depend on our ability to continue improving and enhancing the functionality, performance, reliability, design, security, and scalability of our services.

We may experience difficulties with developments in technology that could delay or prevent the development, introduction or implementation of new services, solutions and enhancements. While we invest a significant amount of time and resources in software development, we may not have sufficient resources to continuously improve and enhance our services and solutions. In addition, our in-house developers may take several months to update, code and test new and upgraded services or solutions. To the extent we are not able to improve and enhance the functionality, performance, reliability, design, security, and scalability of our services or solutions in a manner that responds to our clients' evolving needs, our existing clients may not repurchase our services and/or we may not be able to attract new clients, and our business, results of operations and financial condition will be adversely affected.

**We have incurred negative operating cash flow and there can be no assurance that we will not have negative operating cash flow and net cash outflow in the future.**

We recorded net operating cash outflows of RMB39.9 million and RMB17.5 million in 2019 and 2021, respectively. Our negative operating cash flow for the year ended 31 December 2019 was primarily attributable to our trade receivables while the negative cash flow from operating activities for the year ended 31 December 2021 was primarily attributable to decrease in trade and other payables and the increase in our trade, bill and other receivables and prepayments. We cannot assure you that we will be able to generate positive cash flow from operating activities in the future. If we encounter 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, results of operations and financial position may be materially and adversely affected.

**Our future business growth and expansion is dependent on the continued development of our services and our target clients' need for intelligent CRM services.**

Save for traditional communication-based services, we offer a comprehensive portfolio of intelligent CRM services to enterprises of all sizes, from which we generate

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revenues. The market we target and compete is rapidly evolving and subject to a number of risks and uncertainties. Our success will depend on a substantial extent on the growth of this market, especially the widespread adoption of intelligent CRM services as a replacement for legacy on-premise systems and other traditional forms of management system. The utilisation of intelligent CRM services is relatively nascent in the PRC, and our target clients may not fully recognise the need for, or the benefits of, our services. Moreover, many enterprises have invested substantially technical and financial resources and personnel in the implementation and integration of legacy on-premise management systems and, therefore, may be reluctant or unwilling to incur the switching costs required to migrate to intelligent CRM services such as ours.

The growth of the market also depends on a number of other factors, including the refresh rate for legacy on-premise systems, the cost, performance and perceived value associated with intelligent CRM services, as well as their ability to address security, stability, and privacy concerns. In order to grow our business and extend our market position, we intend to educate our existing and prospective clients about the benefits of our services and continuously enhance and innovate our services and features to increase market acceptance. However, if ever the intelligent CRM technologies fail to develop in a way that satisfies the growing demands of our clients, it could significantly harm our business. In addition, the intelligent CRM services industry may fail to grow significantly or at all, or there could be a reduction in demand as a result of a lack of public acceptance, concern about security issues in relation to public cloud, technological challenges, competing services and solutions, decreases in IT spending by current and prospective clients, weakening economic conditions and other causes. The occurrence of any of the foregoing could materially and adversely affect our business, results of operations and financial condition.

**We face competition in the markets where we operate and may not be able to compete successfully against our existing and future competitors.**

According to the Frost & Sullivan Report, the intelligent CRM services industry in the PRC is rapidly evolving and competitive. With the introduction of new technologies and market entrants, we expect competition to continue to intensify in the future. The principal competitive factors in our market include comprehensiveness of services, innovation ability, brand awareness and reputation, strength of sales and marketing efforts as well as client reach.

Some of our competitors may be able to respond more quickly and effectively than we can to new opportunities, technologies, standards or client requirements. In addition, some competitors may offer services that address one or a limited number of functions at lower prices, with greater depth than our services or in geographies or industry verticals where we do not operate or are less established. Our current and potential competitors may develop and market new services with functionality comparable to ours, which could lead to increased pricing pressures. Moreover, as we expand the scope of our business, we may face additional competition.

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If we are unable to compete effectively or maintain favourable pricing, it could lead to reduced revenues, reduced margins or the failure of our services to achieve or maintain widespread market acceptance, any of which could materially and adversely affect our business, results of operations and financial condition.

**If we fail to keep up with rapid changes in AI, DI, machine learning and other capabilities, our future success may be adversely affected.**

We utilise AI, DI, machine learning and other capabilities to process and analyse data and develop our services. The success of our business will depend, in part, on our ability to adapt and respond effectively to the technological development in AI and DI on a timely basis. If we are unable to design services and services that catch up with such trend in a timely manner, our market share may shrink, and our results of operations and financial conditions may be negatively impacted.

If we are unable to develop new services that satisfy our clients and provide enhancements and new features for our existing services that keep pace with rapid technological and industrial change, our business, results of operations and financial condition could be adversely affected. If our competitors are able to deliver more efficient, convenient and secure services and solutions at lower prices by using new technologies, it could adversely impact our ability to maintain and increase our market share.

Our AI and DI capabilities may be launched and used on a variety of software, and we need to continuously modify and enhance our services to adapt to changes and innovation in these capabilities. AI and DI models themselves can create problems when they deliver biased results (which can happen, for example, if a population is underrepresented in the data used to train the model), become unstable, or yield conclusions for which there is no actionable recourse for those affected by its decisions. Any underperformance of our AI and DI capabilities could reduce the demand for our services. We must continue to invest substantial resources in research and development to enhance our technology. If we are unable to respond to these changes in a cost-effective manner, our solutions may become less marketable and less competitive or obsolete, and our business, results of operations and financial condition could be adversely affected.

**We depend on cloud infrastructure operated by third parties and any disruption of or interference with our use of such third-party services would adversely affect our business, results of operations and financial condition.**

We are vulnerable to problems experienced by third-party cloud service providers. We can't avoid experiencing interruptions, delays or outages with respect to our third-party cloud infrastructure in the future due to a variety of factors, including infrastructure changes, human, hardware or software errors, hosting disruptions and capacity constraints. Such issues could arise from a number of causes such as technical failures, natural disasters, fraud or security attacks. The level of service provided by these providers, or regular or prolonged interruptions in that service, could also affect the use of and our clients' satisfaction with our services and could harm our business and reputation.

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Furthermore, in certain circumstances, our cloud service providers may discontinue or limit our access to one or more services, or terminate or seek to terminate contractual relationship. Although we expect that we could obtain similar services from other third parties, if our arrangements with our current cloud service providers were terminated, we could experience interruptions in our ability to make our services available to clients, as well as delays and additional expenses in arranging for alternative cloud infrastructure services.

As a result, we may incur additional costs, fail to attract or retain clients, or be subject to potential liability, any of which could have an adverse effect on our business, results of operations and financial condition.

### **Our results of operations are subject to fluctuations due to seasonality.**

Our business is to help our clients to achieve customer acquisition and to enhance the connection between our clients and their customers. Accordingly, our business interacted with our clients' business closely and is accordingly subject to seasonality and we typically record lower revenue during the first quarter of the financial year as compared to the remaining of the financial year.

As advised by Frost & Sullivan, the intelligent CRM services industry in the PRC is subject to the seasonality of consumer spending and corresponding marketing trends. Intelligent CRM services providers typically generate lower revenue in the first quarter than other quarters, mainly due to slower and postponed spending or purchase of intelligent CRM products and services as a result of holidays such as Chinese lunar new year in the first quarter.

Any failure to plan our business developments and allocate our resources well taking into account of the seasonality of our business will result in negative impact on our operating cash flows and business performance which may in turn adversely affect our business, results of operations and financial condition.

### **We may not be able to sustain the gross profit margins at a satisfactory level.**

We experienced a decline in profitability during the Track Record Period. Our gross profit margins for the four years ended 31 December 2021 was 35.8%, 32.8%, 24.3% and 23.4% respectively. If our financial performance continues to decline, we may be exposed to risks such as (i) turning our net current assets/net assets position into net current liabilities/net liabilities position; and (ii) experiencing difficulties in obtaining financings. Despite our financial performance has been stabilised, there can be no assurance that we will be able to maintain and secure the gross profit margins at a satisfactory level.

As we increase the variety of the intelligent CRM services we offer, the performance of our intelligence CRM business will become increasingly dependent on our ability to anticipate clients' demands and preferences, adapt to changes in the intelligent CRM industry, stay abreast of technological trends and introduce new services that are appealing to our clients.

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In addition, the gross profit margins for our business may decline to a material extent for other reasons, including increased cost of sales such as resources acquisition costs, decreased clients spending, decrease of our clients' need for different intelligent CRM services, increased competition and changes in government policies or general economic conditions which are, to a large extent, beyond our control.

Accordingly, we cannot guarantee that our gross profit margins will not fluctuate from time to time. If there is any decline in our gross profit margins in the future or if we fail to sustain the gross profit margins at the levels recorded during the Track Record Period, our results of operations and financial condition may be adversely affected.

**We have slim net profit margins and therefore our results of operations and financial condition could be adversely affected if our net profit margins cannot be sustained.**

Our net profit margins were 5.7%, 2.2%, 3.7% and 1.5%, for the four years ended 31 December 2021, respectively, while our adjusted net profit margins (non-HKFRS measures) were approximately 5.7%, 2.2%, 3.7% and 3.1%, for the same period, respectively. The slim net profit margins were attributable to our continuous increase in research and development expenses as we continued to invest in order to enhance our competitiveness and meet the ever-changing demand from our clients. For detail description of the expenses, please refer to the paragraph headed "Financial Information — Description of major components of our results of operations — Research and development expenses" in this prospectus.

Our thin net profit margins may adversely affect our working capital sufficiency and sensitivity to unfavourable changes in selling prices, costs and interest rates. We cannot assure that we will be able to maintain our net profit and net profit margin at similar level in the future. Furthermore, we cannot assure that we will not experience any fluctuations in our net profit and net profit margins in the future, which would have an adverse impact on our results of operations and financial condition.

**Any discontinuation, reduction or delay of any government grants, tax refund, or preferential tax treatments would have an adverse impact on our business.**

During the Track Record Period, we recorded government grants of RMB3.6 million, RMB1.5 million, RMB1.9 million and RMB0.5 million in 2018, 2019, 2020 and 2021, respectively.

We also recorded certain VAT refunds from the PRC government during the Track Record Period, which are non-recurring in nature. Such VAT refunds amounted to RMB3.3 million, RMB2.8 million, RMB2.8 million and RMB4.1 million in 2018, 2019, 2020 and 2021.

In addition, we have benefited from preferential tax treatments from the PRC government during the Track Record Period. For example, Xuan Wu qualified as a key software enterprise and, accordingly, was entitled to a preferential income tax rate of 10% in 2018 and 2019, and it qualified as a high and new technology enterprise and accordingly was entitled to a preferential income tax rate of 15% in 2020 and 2021. Furthermore, our subsidiaries operating in the PRC were eligible for certain tax credits on their research and development expenses during the Track Record Period. For details, please refer to Note 9 Other income to the Accountant's Report set out in Appendix I to this prospectus.

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We cannot assure that we will continue to receive government grants at the same level or at all, or that we will continue to enjoy the current preferential tax treatments, in which case our business, results of operations and financial condition may be materially and adversely affected.

**Security breaches and attacks against our systems and network, and any potentially resulting breach of or failure to protect personal, confidential and proprietary information, could damage our reputation and negatively impact our business, as well as materially and adversely affect our financial condition and results of operations.**

Our cybersecurity measures may not detect, prevent or control all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, Trojan horses, malicious software, break-ins, phishing attacks, third-party manipulation, security breaches, employee misconduct or negligence or other attacks, risks, data leakage and similar disruptions that may cause service interruptions or jeopardise the security of data stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorised access to our systems, misappropriation of information or data, deletion or modification of user information, or a denial-of-service or other interruption to our business operations. As techniques used to obtain unauthorised access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers, there can be no assurance that we will be able to anticipate, or implement adequate measures to protect against, these attacks. If we are unable to avert these attacks and security breaches, we could be subject to significant legal and financial liability, our reputation and business would be harmed, and we could sustain substantial revenue loss from lost sales and client dissatisfaction.

**Our services involve transmission of certain information belonging to the end customers of our clients and may be subject to complex and evolving laws and regulations regarding privacy and data protection. If we fail to comply with privacy and data protection laws and regulations, our business, results of operations and financial condition may be adversely affected.**

The PRC government in recent years has enacted a series of laws and regulations on the protection of personally identifiable data to which we may be subject.

On 10 July 2021, the Cyberspace Administration of China released a draft of revised version of Cybersecurity Review Measures, requiring (i) data processors who carry out data processing activities and (ii) any “operator of critical information infrastructure” to conduct cybersecurity review if they will affect or may affect national security. As the revised draft Cybersecurity Review Measures has just been adopted, we still face uncertainties that the measures may be enacted, interpreted or implemented in ways that will negatively affect us. There can be no assurance if we are required to follow the cybersecurity review procedures, and if so, whether we would be able to complete the applicable cybersecurity review procedures in a timely manner. In addition, any failure or delay in the completion of the cyber security review procedures or any other noncompliance or perceived noncompliance with the PRC Cybersecurity Law or related regulations may prevent us from using or providing certain services, and may result in

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fines or other penalties such as making certain required rectification, suspending our relates business, taking down our operations and bring actions against us by PRC regulatory authority, clients or others.

In addition, the PRC Data Security Law promulgated by the Standing Committee of the National People's Congress of China has come into effect on 1 September 2021. The PRC Data Security Law provides for data security obligations on entities and individuals carrying out data processing activities, introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used, and provides for a national security review procedure for those data processing activities which may affect national security.

The above and other similar legal and regulatory developments could lead to legal and economic uncertainties, affect how we operate our business, how we and our business partners process data. We may incur substantial costs to comply with such laws and regulations.

We have adopted various measures to ensure legal compliance, including (i) specifying in the service agreements between our clients and us that the clients shall comply with all applicable personal data security law, such as obtaining consent from the relevant individuals, when acquiring personal information; (ii) setting up an information security working group to carry out daily management and inspection on personal data protection, such as regular cyber security inspection and training employees on information security and information security risk assessment; (iii) adopting technical measures to prevent employees from copying or exporting the content of the personal data; and (iv) establishing internal management regulations and policies on data protection and cybersecurity including but not limited to security management system, management requirements on data base, database security management requirements and information security risk assessment. However, we cannot assure that our privacy and data protection measures will be considered sufficient under applicable laws and regulations. Additionally, the effectiveness of our privacy and data protection measures is also subject to system failure, interruption, inadequacy, security breaches or cyberattacks. If we are unable to comply with the then-applicable laws and regulations, or to address any privacy and data protection concerns, such actual or alleged failure could damage our reputation, deter current and potential clients from using our services, which will adversely affect our business, results of operations and financial condition.

Meanwhile, we will continuously make efforts to comply with the principles and requirements of the new standard. We expect to incur additional RMB500,000 annually to ensure our compliance with latest regulations relating to cybersecurity, data security and personal information protection in the PRC. Nevertheless, we cannot ensure that all the efforts we put in complying with the new standard would be sufficient as the regulators may further request. Any failure of us in complying with such laws and regulations in collecting, using or disclosing personally information collected by us or accessed through our system could result in proceedings or actions against us by governmental entities or others. These proceedings or actions may subject us to significant penalties and negative publicity, require us to change our business practices, increase our costs and severely disrupt our business.



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**Regulatory, legislative or self-regulatory developments for provision of intelligent CRM services, including privacy and data protection regimes, are expansive, not clearly defined and rapidly evolving. These laws and regulations could create unexpected costs, subject us to enforcement actions for compliance failures, or restrict portions of our business or cause us to change our technology platform or business model.**

Governments across the world, including the PRC government, have enacted, or are considering enacting, legislation relating to the intelligent CRM services. There may be an increase in legislation and regulation related to online marketing, the use of geo-location data to inform marketing, the collection and use of anonymous internet user data and unique device identifiers, such as IP address or mobile unique device identifiers, and other data protection and privacy regulation. These laws and regulations could adversely affect the demand for or effectiveness and value of our services, force us to incur substantial costs, or require us to change our business practices in a manner that could adversely affect our business, results of operations and financial condition, or compromise our ability to effectively pursue our growth strategies.

Further, multiple municipal and provincial governments in the PRC had released plans or taken actions to establish state-owned clouds (國資雲) (“**State-Owned Public Cloud Platforms**”), which are public cloud computing platforms exclusively serving SOEs. SOEs in the relevant municipalities and provinces may be encouraged or required to migrate their IT infrastructure to State-Owned Public Cloud Platforms. They may even be prohibited from using privately-owned public cloud platforms. While we believe that we will not encounter material difficulties in integrating our platform with State-Owned Public Cloud Platforms, there is no guarantee that we will ultimately achieve such integration or do so at a reasonable cost. If we cannot adapt our solutions to changes in complementary technology deployed by our clients, it may significantly impair our ability to compete effectively. As the State-Owned Public Cloud Platforms in general are still at a pilot stage and subject to uncertainties, we will follow up on the ongoing updates and perform upgrades when necessary.

We strive to comply with all applicable laws and regulations relating to privacy and data collection, processing, use, and disclosure. These laws and regulations are continually evolving, are not always clear, and the measures we take to comply with these laws, regulations and industry standards may not always be effective. We may be subject to litigation or enforcement action or reduced demand for our services or solutions if we or our clients fail to abide by applicable privacy laws, or to provide adequate notice and/or obtain consent from end users. Any proceeding or perception of concerns relating to our collection, use, disclosure, and retention of data, including our security measures applicable to the data we collect, whether or not valid, could adversely affect our reputation, force us to spend significant amounts on defence of these proceedings, distract our management, increase our costs of doing business and inhibit the use of our services, which could materially and adversely affect our business, results of operations and financial condition.

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**We are exposed to credit risk in respect of our receivables which may adversely affect our business, results of operations and financial condition.**

Our clients span across private sector and public sector, to whom we typically extend credit terms that result in receivables. We usually make credit assessment of our clients before entering into service agreements. However, we cannot ensure that we are or will be able to accurately assess the creditworthiness of each of our clients before entering into agreements or extending credit terms, neither can we guarantee that each of these clients will be able to strictly follow and enforce the payment schedules provided in the agreements.

Our trade and bill receivables increased from RMB123.5 million as at 31 December 2018 to RMB161.3 million as at 31 December 2019, and to RMB239.8 million as at 31 December 2020, and further to RMB264.3 million as at 31 December 2021, which was in line with our overall business growth during the Track Record Period. Our trade receivables turnover days increased from 82.9 days for the year ended 31 December 2018 to 86.5 days for the year ended 31 December 2019, and to 91.7 days for the year ended 31 December 2020 and further to 92.6 days for the year ended 31 December 2021 primarily due to increase in credit sales during the same period. For details, please refer to the paragraph headed “Financial Information — Discussion of certain key balance sheet items — Current Assets — Trade and bill receivables” in this prospectus.

We recorded net impairment losses on financial assets of RMB2.5 million, RMB2.9 million, RMB4.3 million and RMB5.4 million for the four years ended 31 December 2021, respectively. For details, please refer to the paragraph headed “Financial Information — Description of major components of our results of operations — Net impairment losses on financial assets” in this prospectus.

A client’s ability to make payments on timely basis depend various factors such as general economic and market conditions and the client’s cash flow position, which are out of our control. Defaults in making payments to use on projects for which we have already incurred significant costs and expenditures can materially and adversely affect our business, results of operations and financial condition.

**Our results of operations, financial conditions and prospects may be adversely affected by the recoverability of our prepayments.**

Our prepayments mainly represent prepayments to suppliers for telecommunication resources. Our prepayments as at 31 December 2018, 2019, 2020 and 2021 were RMB38.2 million, RMB68.6 million, RMB47.8 million and RMB86.7 million, respectively. We are generally entitled to a refund of our prepayments, however, the timeframe and method for the refund may not be specified, and there may not be a mechanism in place to ensure that the refund will be made on a timely basis. In addition, the amount of prepayments we need to pay to the suppliers partially depends on our trading amount with suppliers and our bargaining power. We cannot assure you that we can maintain such trading amount and bargaining power in the ever-changing market environment. If there is any delay in refunding our prepayment or if our trading amount with the suppliers or bargaining power recedes, our business, financial condition and results of operations may be materially and adversely affected.

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### **Our intangible assets and goodwill are subject to potential impairment.**

As at 31 December 2021, the carrying amount of our intangible assets was RMB14.1 million which consisted of RMB10.5 million of goodwill, RMB3.0 million of software and RMB0.6 million of platform. Intangible assets are reviewed and tested for impairment either individually or at the cash-generating unit (“CGU”) level in accordance with the relevant accounting standards and an impairment loss is recognised in profit or loss if the carrying amount of the intangible asset or the relevant CGU exceeds its recoverable amount. During the Track Record Period, we did not record any impairment losses on our intangible assets. However, there is no guarantee that we will not incur impairment losses in the future. Any significant impairment losses could materially and adversely affect our profitability.

### **Fluctuation of our financial assets at fair value through profit or loss, due to the use of unobservable inputs in their valuation, has affected our results of operations during the Track Record Period and may continue to affect our results of operations in the future.**

We recorded a fair value of financial assets at fair value through profit or loss of RMB25.7 million, nil, RMB30.2 million and RMB21.5 million as at 31 December 2018, 2019, 2020 and 2021, respectively, which primarily consist of investments in certain wealth management products issued by major and reputable commercial banks in the PRC. We are exposed to credit risk in relation to our investments in wealth management products which may adversely affect the net changes in their fair value. We cannot assure you that market conditions and regulatory environment will create fair value gains on the wealth management products we invest in or we will not incur any fair value losses on our investments in the wealth management products in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected. For details of our valuation techniques and the unobservable inputs, please refer to Note 19 to the Accountant’s Report in Appendix I to this prospectus. The valuation techniques are subject to uncertainty. We cannot assure you that the fair value of our financial assets will not decrease in the future and any significant decreases in the fair value of our financial assets would materially and adversely affect our financial condition.

### **We may not be able to fulfil our obligations in respect of contract liabilities, which may have a material and adverse impact on our results of operations and financial condition.**

Our contract liabilities amounted to RMB24.3 million, RMB29.3 million, RMB34.0 million and RMB31.9 million as at 31 December 2018, 2019, 2020 and 2021, respectively. Our contract liabilities primarily arose from the advance payments received from clients while the underlying services are yet to be provided. For details, please refer to the paragraph headed “Financial Information — Discussion of certain key balance sheet items — Current liabilities — Contract liabilities”. If we fail to fulfil our obligations under our contracts with clients, we may not be able to convert such contract liabilities into revenue, and our clients may require us to refund the advance payments we have received which may adversely affect our cash flow and liquidity condition. Such failure may adversely affect our business, our relationship with such clients, which may also affect our reputation and results of operations in the future.

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**Share-based payment may cause shareholding dilution to our existing Shareholders and have a material and adverse effect on our financial performance.**

During the Track Record Period, there were no new shares granted and no share-based compensation expenses recognised. For details, please refer to Note 2.21 to the Accountant's Report in Appendix I to this prospectus. However, we may, in the future grant additional share-based compensation to incentivise our employees to contribute to us. Issuance of additional Shares with respect to such share-based compensation may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based compensation may also increase our cost of sales and operating expenses and therefore have a material and adverse effect on our financial performance.

**If we fail to perform our services in accordance with contractual requirements, we could be subject to significant costs or liability and our reputation could be harmed.**

We contract with our clients to provide a wide range of services to assist them in various industries, such as FMCG, financial, TMT, Government-related industries. The relevant services are complex and subject to contractual requirements, and any mistake or failure to perform in accordance with contractual specifications on our part could result in our clients suing us for breach of contract as well as other severe consequences, which may deter prospective clients.

**Real or perceived errors, defects, failures, vulnerabilities, or bugs in our solutions could diminish client demand, harm our business, results of operations and financial condition and subject us to liability.**

Our clients use our services to manage important aspects of their businesses, and any errors, defects, failures, vulnerabilities, bugs or other performance problems of our services could hurt our reputation and may damage our clients' businesses. Our services and the underlying infrastructure are highly technical and complex. There can be no assurance that our services will not now or in the future contain undetected errors, defects, bugs, or vulnerabilities, which may cause temporary service outages for some clients. Certain errors in our software code may not be discovered until the code has been released. Any error, defect, bug, or vulnerability discovered in our code after release could result in damage to our reputation, loss of clients, loss of revenues, or liability for damages, any of which could adversely affect our business, results of operations and financial condition. We implement bug fixes and upgrades as part of our regularly scheduled operation maintenance, which may lead to system downtime. Even if we are able to implement the bug fixes and upgrades in a timely manner, any history of defects, or the loss, damage or inadvertent release of confidential client data, could cause our reputation to be harmed, and clients may elect not to purchase or renew their agreements with us and subject us to warranty claims or other liabilities. The costs associated with any material defect or error in our services or other performance problems may be substantial and could materially and adversely affect our business, results of operations and financial condition.

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**We may be unable to obtain, maintain and protect our intellectual property rights and proprietary information or prevent third parties from any unauthorised use of our technologies.**

Our trade secrets, trademarks, copyrights, patents, and other intellectual property rights are critical to our success. We rely on, and expect to continue to rely on, a combination of confidentiality and non-compete agreements with our employees, licence agreements with third parties with whom we have relationships, as well as our trademark, domain name, copyrights, trade secrets, patent rights, and other intellectual property rights to protect our brand. However, events beyond our control may pose a threat to our intellectual property rights, as well as to our services and solutions. Effective protection of trademarks, copyrights, domain names, patents, and other intellectual property rights is expensive and difficult to maintain, both in terms of application and costs, as well as the costs of defending and enforcing those rights. While we have taken measures to protect our intellectual property rights, we cannot ensure that such efforts are either sufficient or effective. As a result, our intellectual property rights may be infringed, misappropriated, or challenged, which could result in them being narrowed in scope or declared invalid or unenforceable.

Similarly, our reliance on unpatented proprietary information and technology, such as trade secrets and confidential information, depends in part on our agreements with employees and third parties which contain restrictions on the use and disclosure of such intellectual property. These agreements may be insufficient or may be breached, either of which could potentially result in the unauthorised use or unauthorised disclosure of our trade secrets and other intellectual property, including to our competitors. As a result, we could lose our crucial competitive advantage derived from such intellectual property. Significant impairments to our intellectual property rights, and limitations on our ability to assert our intellectual property rights against others, may result in a material and adverse effect on our business, results of operations and financial condition.

**We may be subject to claims by third parties for intellectual property infringement.**

There may be litigation in the intelligent CRM services industry regarding intellectual property rights. Third parties may, from time to time, claim that we are infringing, misappropriating or otherwise violating their intellectual property rights, including patents, software copyrights and other intellectual property rights. Third parties may also claim that our employees have misappropriated or divulged their former employers' trade secrets or confidential information. We may be found in the future, to have infringed upon third party's proprietary rights.

Our broad range of proprietary technologies increases the likelihood that third parties may claim infringement by us of their intellectual property rights. Certain technologies necessary for our business may, in fact, be patented by other parties either now or in the future. If such technologies were held under a valid patent by a third party, we would have to negotiate a licence for the use of that technology, which we may not be able to negotiate on commercially reasonable terms or at all. The existence of such a patent, or our inability to negotiate a licence for any such technology on reasonable terms, could force us to cease using such technology and services incorporating such technology.

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In addition, even if we succeed in obtaining a licence to continue using the relevant technology, we may incur substantial licence fees, which could materially and adversely affect our business, results of operations and financial condition.

If we are found to have infringed upon the intellectual property rights of any third party in legal or other proceedings that may be asserted against us, we could be subject to material monetary liabilities for such infringement. We could also be required to refrain from using, developing or selling certain services incorporating the affected intellectual property rights, which could materially and adversely affect our business and results of operations. We may continue to receive, in the future, notices of claims of infringement, misappropriation or misuse of other parties' proprietary rights. There can be no assurance that we will prevail in contesting these claims or that actions alleging infringement by us of third-party intellectual property rights will not be asserted or prosecuted against us. Furthermore, legal or other proceedings involving infringement of intellectual property rights may require significant time and expense to defend, may divert management's attention away from other aspects of our operations and, upon resolution, may have a material adverse effect on our business, results of operations and financial condition. Any negative publicity about our claimed infringement of a third party's proprietary rights could also harm our business.

**Our brand and brand reputation are integral to our success. If we fail to effectively maintain, promote and enhance our brand, our business and competitive advantage may be harmed.**

We believe that maintaining, promoting and enhancing our brand and brand reputation is critical to expanding our business. Maintaining and enhancing our brand and brand name depends largely on our ability to continue to provide useful, reliable, and innovative services and solutions, which we cannot assure that we will do successfully.

We believe the importance of brand recognition will increase as competition in our market increases. In addition to our ability to provide reliable and useful services and solutions at competitive prices, the successful promotion of our brand will also depend on the effectiveness of our marketing efforts. We market our services primarily through our in-house direct sales force, and a number of free traffic sources, including client referrals and word-of-mouth. We anticipate that our efforts to market our brand will involve significant costs and expenses, which we intend to increase going forward. We cannot assure, however, that our marketing spends will lead to increased revenue, and even if so, such increases in revenue may not be sufficient to offset expenses we incur in building and maintaining our brand and brand reputation.

**We are dependent on the continued services and performance of our Directors, senior management and other key employees, the loss of any of whom could adversely affect our business, operating results and financial condition.**

Our future performance depends on the continued services and contributions of our Directors, senior management and other key employees, to oversee and execute our business plans and identify and pursue new opportunities and services innovations. Any loss of service of our Directors, senior management or other key employees can

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significantly delay or prevent us from achieving our strategic business objectives, and adversely affect our business, results of operations and financial condition. From time to time, there may be changes in our Directors, senior management and other key employees, resulting from the hiring or departure of executives, which could also disrupt our business. Hiring suitable replacements and integrating them within our business also requires significant amounts of time, training and resources, and may impact our existing corporate culture. Failure to retain or attract key personnel on timely and commercially viable basis may materially and adversely affect our business, results of operations and financial condition.

**If we are unable to attract, retain and motivate qualified personnel, our business, results of operations and financial condition may be adversely affected.**

Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel specialising in mobile internet, cloud computing and marketing. The inability to attract or retain qualified personnel, or delays in hiring required personnel, may cause significant harm to our business, financial condition and operating results. Our ability to continue to attract and retain highly skilled personnel, specifically employees with technical and engineering skills and employees with high levels of experience in designing and developing software and intelligent CRM services, will be critical to our future success.

Meanwhile, the size and scope of our business may require us to hire and retain a wide range of effective and experienced personnel who can adapt to a dynamic, competitive and challenging business environment. Competition for talent and qualified personnel in the PRC's intelligent CRM and targeted marketing industries is intense, and the availability of suitable and qualified candidates in the PRC is limited. Competition for these individuals could cause us to offer higher compensation and other benefits to attract and retain them. In addition, even if we were to offer higher compensation and other benefits, we cannot assure that these individuals would choose to join, or continue working for us. If we fail to attract and retain personnel with suitable managerial or other expertise, or to maintain an adequate labour force on a continuous and sustainable basis, our business, results of operations and financial condition could be materially and adversely affected.

**Our risk management and internal control systems may not be adequate or effective in all respects, which may materially and adversely affect our business, results of operations and financial condition.**

We seek to establish risk management and internal control systems consisting of an organisational framework, policies, procedures and risk management methods that are appropriate for our business operations and seek to continue to improve these systems. However, due to the inherent limitations in the design and implementation of risk management and internal control systems, we cannot assure that our risk management and internal control systems will be able to identify, prevent and manage all risks. Our internal control procedures are designed to monitor our operations and ensure their overall compliance. However, our internal control procedures may be unable to identify all non-compliance incidents in a timely manner or at all. It is not always possible to

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timely detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective.

Our risk management and internal controls also depend on the effective implementation by our employees. We cannot assure that such implementation will not involve any human errors or mistakes, which may materially and adversely affect our business and results of operations. If we fail to timely adapt our risk management policies and procedures to our changing business, our business, results of operations and financial condition could be materially and adversely affected.

**Negative publicity and allegations involving us, our Shareholders, Directors, officers, employees, associates and business partners may affect our reputation and, as a result, our business, results of operations and financial condition may be negatively affected.**

We, our Shareholders, Directors, officers, employees, associates and business partners may be subject to negative media coverage and publicity from time to time. Such negative coverage in the media and publicity could change market perception that we are a trustworthy intelligent CRM services provider. In addition, to the extent our employees and business partners were in compliance with any laws or regulations, we may also suffer negative publicity or harm to our reputation. As a result, we may be required to spend significant time and incur substantial costs in response to allegations and negative publicity and may not be able to diffuse them to the satisfaction of our investors and clients.

**Our strategy of making strategic acquisitions and investments may fail and may result in material and adverse impact on our business, results of operations and financial condition.**

As part of our business growth strategy, we may, in the future, acquire businesses or platforms that we believe can expand and strengthen our services and client coverage, as well as our technological capacities. Our ability to implement our acquisition strategy will depend on our ability to identify suitable targets, our ability to reach agreements with them on commercially reasonable terms, and within a desired timeframe, and the availability of financing to complete acquisitions, as well as our ability to obtain any required Shareholder or government approvals. Our strategic acquisitions and investments could subject us to uncertainties and risks, including high acquisition and financing costs, potential ongoing financial obligations and unforeseen or hidden liabilities, failure to achieve our intended objectives, benefits or revenue-enhancing opportunities, uncertainty of entering into markets in which we have limited or no experience, and in which competitors have stronger market positions, costs associated with, and difficulties in, integrating acquired businesses and managing a larger business, and diversion of our resources and management attention. Our failure to address these uncertainties and risks may have a material adverse effect on our business, results of operations and financial condition. Even if we are able to successfully acquire or invest in suitable businesses, we cannot assure that we will achieve our expected returns on such acquisitions or investments. If we fail to identify or acquire suitable projects or achieve our expected returns on such acquisitions or investments in the future, our business, results of operations and financial condition may be materially and adversely affected.



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Acquisitions also pose the risk that we may be exposed to successor liability relating to the actions by an acquired company and its management before and after the acquisition. The due diligence that we conduct in connection with an acquisition or investment may not be sufficient to discover unknown liabilities, and any contractual guarantees or indemnities that we receive from the sellers of the acquired companies or investment target companies and/or their shareholders may not be sufficient to protect us from, or compensate us for, actual liabilities. A material liability associated with an acquisition or investment could adversely affect our reputation and reduce the benefits of the acquisition or investment. In addition, if the management team or key employees of an acquired company fail to perform as expected, this may affect the business performance of such acquired company and, in turn, have a material adverse effect on our business, results of operations and financial condition.

**Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in the PRC, including the COVID-19 outbreak, may materially and adversely affect our business, results of operations and financial condition.**

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, H1N1 influenza, Ebola virus and the recent COVID-19 outbreak across the globe, may materially and adversely affect our business, results of operations and financial condition. An outbreak of an epidemic or contagious disease or other adverse public health developments in the PRC or elsewhere in the world could result in a widespread health crisis and restrict the level of business activities in affected areas, which may, in turn, materially and adversely affect our business, results of operations and financial condition.

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 that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases, or the measures taken by the PRC government in response to such contagious diseases, will not seriously disrupt our operations or those of our clients, which may materially and adversely affect our business, results of operations and financial condition.

**Any severe or prolonged slowdown in the global or Chinese economy may adversely affect our business, results of operations and financial condition.**

COVID-19 had a severe and negative impact on the Chinese and the global economy in the first quarter of 2020. Whether this will lead to a prolonged downturn in the economy is still unknown. Even before the outbreak of COVID-19, the global macroeconomic environment was facing numerous challenges. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and the PRC, even before 2020. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the

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relationship between the PRC and other countries, including the surrounding Asian countries, which may potentially have economic effects. Economic conditions in the PRC are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in the PRC. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition.

**We may be required by relevant government authorities to contribute additional social insurance premium or housing provident funds, or be imposed of late payment fees or fines.**

We make social insurance and housing provident fund contributions for our employees.

During the Track Record Period, we did not make full contributions to social insurance and housing provident funds for some of our employees primarily due to the fact that some of our employees chose not to make the contribution based on their actual income, as they did not want to bear their heavy portion of the contribution. For details, please refer to the paragraph headed “Business — Legal proceedings and non-compliance” in this prospectus.

During the Track Record Period, we also engaged third party agents as part of our administrative arrangements to assist with social insurance and housing provident funds’ registration and payments. According to our PRC Legal Advisor, the administrative arrangements in engaging third party agents to assist with registration and payments of social insurance and housing provident funds are not in strict compliance with the relevant PRC laws and regulations since the obligation to make such contributions shall rest on our Company and should not be delegated to third party agents. Therefore, we may still be considered as not having discharged our legal obligations under the relevant PRC laws and regulations as such contributions should have been made by ourselves.

Pursuant to the relevant PRC laws and regulations, employers who do not make full contributions on time to social insurance and housing provident funds may be subject to payment orders or penalties. An employer who has underpaid and/or failed to pay on time in respect of social insurance may be ordered by the relevant government authorities to make full payment of the outstanding amount within a prescribed time limit, together with a surcharge for late payment at the rate of 0.05% per day from the date on which the outstanding amounts become due. If we fail to make payments of the outstanding amount within the prescribed time limit, we may also be liable to a fine of up to three times the outstanding amount. For details, please refer to the paragraph headed “Business — Legal proceedings and non-compliance” in this prospectus.

As at the Latest Practicable Date, neither our Company nor the Consolidated Affiliated Entities had been subject to any penalty or action for the under-contribution or the engagement of third party agents in relation to the payment of social insurance and housing provident funds. We cannot assure that the relevant local government authorities will not require us to pay the outstanding amount within a specified time limit or impose late fees or fines on us, which may materially and adversely affect our business, results of operations and financial condition.

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**We may not have sufficient insurance coverage to cover our potential liability or losses and as a result, our business, results of operations and financial condition may be materially and adversely affected should any such liability or losses arise.**

We face various risks in connection with our business and may lack adequate insurance coverage or have no relevant insurance coverage. Further, insurance companies in the PRC do not currently offer as extensive an array of insurance services as insurance companies in other more developed economies. As at the Latest Practicable Date, we had not had any business liability or disruption insurance to cover our operations. We have determined that the costs of insuring against these risks, and the difficulties associated with acquiring such insurances on commercially reasonable terms render these insurances, is impractical for our business and purposes. However, any uninsured business disruptions may result us in incurring substantial costs and the diversion of resources, which could have an adverse effect on our business, results of operations and financial condition.

**We may be liable for failure to register and file our lease agreements, which may subject us to penalties.**

As at the Latest Practicable Date, 22 leasing agreements of our leased properties had not been registered and filed with the local branch of the relevant property administrative authorities within the time limit prescribed as required by the Administrative Measures for Commodity House Leasing. We cannot assure that the lessors will cooperate and complete the registration in a timely manner. As advised by our PRC Legal Advisor, failure to complete the registration and filing of lease agreements will not directly affect the legality, validity and enforceability of such leases but could result in the imposition of fines up to RMB10,000 for each unregistered lease if we fail to rectify within the time prescribed. For details, please refer to the paragraph headed “Business — Properties” in this prospectus.

**We may be unable to obtain any additional capital required in a timely manner or on acceptable terms, or at all. Further, our future capital needs may require us to sell additional equity or debt securities that may dilute our Shareholders’ shareholdings or introduce covenants that may restrict our operations or our ability to pay dividends.**

To grow our business and remain competitive, we may require additional capital from time to time for our daily operations. Our ability to obtain additional capital is subject to a variety of uncertainties, including:

- our market position and competitiveness in the industries in which we operate;
- our future profitability, overall financial condition, results of operations and cash flows;
- general market conditions for capital-raising activities by our competitors or other intelligent CRM services providers in the PRC; and
- economic, political and other conditions in the PRC and internationally.

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We may be unable to obtain additional capital in a timely manner or on acceptable terms, or at all. In addition, our future capital or other business needs could require us to sell additional equity or debt securities, or to obtain a credit facility. The sale of additional equity or equity-linked securities could dilute our Shareholders' shareholdings. Any incurrence of indebtedness will also lead to increased debt service obligations and could result in operating and financing covenants that may restrict our operations or our ability to pay dividends to our Shareholders.

**We might be subject to the risks associated with international trade policies, geopolitics and trade protection measures, and our business, financial condition and results of operations could be adversely affected.**

Trade restrictions that may be imposed by other jurisdictions may be difficult or costly to comply with and may materially and adversely affect our abilities to acquire technologies or components that may be critical to our service offerings and business operations.

On 15 May 2019, the Department of Commerce's Bureau of Industry and Security ("BIS") has added, among others, one of our clients (the "Client") to its entity list (the "Entity List"). The addition of the Client to the Entity List imposed a license requirement on the listed entities supplemental to those found elsewhere in the Export Administration Regulations ("EAR"), and that the export, reexport, or transfer (in-country) of any item subject to the EAR to the Client now requires a license unless the activity is authorised pursuant to the Entity List rule's savings clause. Further in November 2020, former President of the U.S., Donald Trump, issued an executive order prohibiting any U.S. company from owning shares in companies that the U.S. Department of Defense has listed as having links to the People's Liberation Army, which included the Client.

Given we do not have operations in the U.S. and does not export any products, services or technology to the U.S., our business relationship with the Client is not likely to trigger any restrictive measures imposed by the U.S. import laws and regulations. However, our relationships with our clients or suppliers may evolve or have changes in the future, and there can be no assurance that we will maintain our access to all items that are necessary to our business, which may result in significant interruptions of our business.

### RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

**If the PRC government finds that the agreements that establish the structure for operating our operations in the PRC do not comply with applicable PRC regulations, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe consequences, including the nullification of the contractual arrangements and being forced to relinquish our interests in those operations.**

Foreign ownership in entities that provide value-added telecommunication and other related businesses, is subject to restrictions under current PRC laws and regulations, unless certain exceptions are available.

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We are a company incorporated in the Cayman Islands. Accordingly, we and the Consolidated Affiliated Entities providing value-added telecommunication business are subject to foreign ownership restriction under PRC laws. To ensure compliance with the PRC laws and regulations, we conduct our business in the PRC through the Consolidated Affiliated Entities incorporated in the PRC. We have entered into the Contractual Arrangements with Xuan Wu, through which we obtain effective control of the Consolidated Affiliated Entities and substantially the economic benefits arising from the Consolidated Affiliated Entities and are able to consolidate the financial results of the Consolidated Affiliated Entities in our results of operations.

In the opinion of our PRC Legal Advisor, Beijing Zhong Lun Law Firm (Shenzhen Office), (1) the ownership structures of Xuanta and the Contractual Arrangements in the PRC, both currently and immediately after the Global Offering, are not and will not in any violation of the applicable PRC laws or regulations currently in effect; and (2) the Contractual Arrangements among Xuanta, Xuan Wu and its subsidiaries and its shareholders governed by PRC laws and regulations are currently valid, binding and enforceable, and will not result in any violation of the applicable PRC laws or regulations currently in effect, except that the pledges on the shareholders' equity interest in Xuan Wu would not be deemed validly created until they are registered with the relevant local branch of SAMR. However, we have been further advised by our PRC Legal Advisor that there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. Thus, the PRC government may ultimately take a view contrary to or otherwise different from the opinion of our PRC Legal Advisor. If the PRC government otherwise find that we are in violation of any existing or future PRC laws or regulations or lack the necessary permits or licences to operate our business, the relevant governmental authorities would have broad discretion in dealing with such violation, including, without limitation:

- revoking the business and operating licences of our Consolidated Affiliated Entities;
- discontinuing or restricting any related-party transactions between our Company and our affiliated entities;
- imposing fines and penalties, confiscating the income from our Company, or imposing additional requirements for our operations which we may not be able to comply with;
- requiring us to restructure our ownership structure or operations, including terminating the contractual arrangements and deregistering the pledge of the shares of Xuan Wu, which in turn would affect our ability to consolidate, derive economic interests from, or exercise effective control over the Consolidated Affiliated Entities;
- restricting or prohibiting our use of the proceeds of this Global Offering to finance our business and operations in the PRC, particularly the expansion of our business through strategic acquisitions; or
- restricting the use of financing sources by us or the Consolidated Affiliated Entities or otherwise restricting our or their ability to conduct business.

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Furthermore, any of the assets under the name of any record holder of equity interest in a material Consolidated Affiliated Entity, including such equity interest, may be put under court custody in connection with litigation, arbitration or other judicial or dispute resolution proceedings against that record holder. We cannot be certain that the equity interest will be disposed of in accordance with the contractual arrangements. In addition, new PRC laws, rules and regulations may be introduced to impose additional requirements that may impose additional challenges to our corporate structure and contractual arrangements. The occurrence of any of these events or the imposition of any of these penalties may result in a material and adverse effect on our ability to provide intelligent CRM services. In addition, if the imposition of any of these penalties causes us to be unable to direct the activities of a Consolidated Affiliated Entity and its respective subsidiaries or the right to receive their economic benefits, we would no longer be able to consolidate such a Consolidated Affiliated Entity into our financial statements, which could materially and adversely affect our business, results of operations and financial condition. In this case, we may also face the risk that the Stock Exchange may consider our Company to be no longer suitable for listing and consequently delist our Shares.

**Our contractual arrangements may not be as effective in providing operational control as direct ownership. Any failure by any Consolidated Affiliated Entity or its shareholders to perform the obligations under the Contractual Arrangements would have a material adverse effect on our business, results of operations and financial condition.**

We operate all of our business in the PRC through our Consolidated Affiliated Entities, in which we have no ownership interest and rely on a series of contractual arrangements with Xuan Wu to control and operate these businesses. All of our revenue and cash flow from our business are attributed to our Consolidated Affiliated Entities. The Contractual Arrangements may not be as effective as direct ownership in providing us with control over our Consolidated Affiliated Entities. Direct ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the boards of directors of our Consolidated Affiliated Entities, which in turn could effect changes, subject to any applicable fiduciary obligations at the management level. However, under the Contractual Arrangements, as a legal matter, if our Consolidated Affiliated Entities or their respective equity holders fail to perform their respective obligations under the contractual arrangements, we may have to (i) incur substantial costs, (ii) expend significant resources to enforce those arrangements, and (iii) resort to litigation or arbitration and rely on legal remedies under PRC laws. These remedies may include seeking specific performance or injunctive relief and claiming damages, any of which may not be effective. In the event we are unable to enforce these contractual arrangements, or we experience significant delays or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entities and may lose control over the assets owned by our Consolidated Affiliated Entities. As a result, we may be unable to consolidate our Consolidated Affiliated Entities in our consolidated financial statements, which could materially and adversely affect our business, results of operations and financial condition.

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**The shareholders of the Consolidated Affiliated Entities may have actual or potential conflicts of interest with us, which may materially and adversely affect our business, results of operations and financial condition.**

The shareholders of the Consolidated Affiliated Entities may have actual or potential conflicts of interest with us. These shareholders may breach, or cause the Consolidated Affiliated Entities to breach the Contractual Arrangements, which would have a material adverse effect on our ability to effectively control the Consolidated Affiliated Entities and receive economic benefits from them. We cannot assure that when conflicts of interest arise any or all of these shareholders will act in the best interests of our Company or such conflicts will be resolved in our favour. If we cannot resolve any conflict of interest or dispute between us and these shareholders, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainties as to the outcome of any such legal proceedings.

**Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and the Implementation Rules and how they may impact the viability of our current corporate structure, corporate governance and business operations.**

The Foreign Investment Law and its implementing regulations do not stipulate that the “foreign investment” as defined thereunder shall include contractual arrangement. There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the Contractual Arrangements will be handled.

Therefore, there is no guarantee that the Contractual Arrangements and the business of the Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. If future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be completed by the Consolidated Affiliated Entities, we may face substantial uncertainties as to the timely completion of such actions. In the extreme case scenario, we may be required to unwind the Contractual Arrangements and/or dispose of the Consolidated Affiliated Entities.

For details of the Foreign Investment Law, please refer to the paragraph headed “Contractual Arrangements — Development in the PRC Legislation on Foreign Investment” in this prospectus.

**Our contractual arrangements may be subject to scrutiny by the PRC tax authorities and they may determine that we or the Consolidated Affiliated Entities owe additional taxes, which could materially and adversely affect our business, results of operations and financial condition.**

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. The tax

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authorities may impose reasonable adjustments on taxation if they have identified any related party transactions that are inconsistent with arm's length principles. We could face material and adverse tax consequences if the PRC tax authorities determine that our contractual arrangements were not entered into on an arm's length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, and adjust income of our affiliated entities in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by our affiliated entities for PRC tax purposes, which could in turn increase its tax liabilities. In addition, if Xuantaos requests the Registered Shareholders to transfer their equity interests in Xuan Wu at nominal or no value pursuant to the Contractual Arrangements, such transfer could be viewed as a gift and subject Xuantaos to PRC income tax. Furthermore, the PRC tax authorities may impose late payment fees and other penalties on our affiliated entities for the adjusted but unpaid taxes according to the applicable regulations. Our business, results of operations and financial position could be materially and adversely affected if the tax liabilities of the Consolidated Affiliated Entities increase or if they are required to pay late payment fees and other penalties.

**If we exercise the option to acquire equity ownership and assets of our Consolidated Affiliated Entities, the ownership or asset transfer may subject us to certain limitations and substantial costs.**

Pursuant to the Contractual Arrangements, Xuantaos or its designated person(s) has the exclusive right to purchase all or any part of the equity interests in Xuanwu held by the Registered Shareholders at a nominal price, unless relevant government authorities or PRC laws require that another amount should be used as the purchase price, in which case the purchase price shall be the lowest amount under such requirement. The equity transfer may be subject to the approvals from and filings with the MIIT, the SAIC and/or their local competent branches. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authority. The relevant tax amounts could be substantial.

### **RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC**

**Adverse changes in the economic, political and social conditions, as well as policies of the PRC government, could have a material adverse effect on our business, results of operations and financial condition.**

All of our revenue is derived from our businesses in the PRC. Accordingly, our business, results of operations and financial condition are, to a material extent, subject to economic, political, and legal developments in the PRC. The PRC economy differs from the economies of developed countries in many respects, including, among other things, the degree of government involvement, control of investment, level of economic development, growth rate, foreign exchange controls, and resource allocation.

Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for the past four decades, a substantial portion of productive assets in the PRC is still owned by the PRC government. The PRC government



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also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC government has implemented measures emphasising the utilisation of market forces in economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. Some of these measures benefit the overall PRC economy, but may adversely affect us.

For example, our financial condition and results of operations may be adversely affected by government policies on the intelligent CRM services industry in the PRC or changes in tax regulations applicable to us. If the business environment in the PRC deteriorates, our business in the PRC may also be materially and adversely affected.

### **Uncertainties with respect to the PRC legal system could adversely affect our business, results of operations and financial condition.**

The PRC legal system is based on written statutes and court decisions that have limited precedential value. The PRC legal system is evolving rapidly, and therefore the interpretations and enforcement of many laws, regulations and rules may contain inconsistencies and uncertainties.

From time to time, we may have to resort to administrative and judicial proceedings to enforce our legal rights. However, since PRC judicial and administrative authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to predict the outcome of an administrative or judicial proceeding than in more developed legal systems.

Furthermore, the PRC legal system is based, in part, on government policies and internal rules, some of which are not published in a timely manner, or at all, but which may have retroactive effect. As a result, we may not always be aware of any potential violation of these policies and rules. These uncertainties may impede our contractual, property and procedural rights, which could adversely affect our business, results of operations and financial condition.

### **The successful operations of our business and our growth depend upon the internet infrastructure and telecommunication network in the PRC.**

Our business depends on the performance and reliability of the internet infrastructure in the PRC. Almost all access to the internet is maintained through state-owned telecommunication network operators under the administrative control and regulatory supervision of the MIIT. In addition, the national networks in the PRC are connected to the internet through state-owned international gateways, which are the only channels through which a domestic user can connect to the internet outside of the PRC. We may not have access to alternative networks in the event of disruptions, failures or other problems with the internet infrastructure in the PRC. In addition, the internet infrastructure in the PRC may not support the demands associated with continued growth in internet usage.

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The failure of telecommunications network operators to provide us with the requisite bandwidth could also interfere with the speed and availability of our communication-based solutions. We have no control over the costs of the services provided by the national telecommunications operators. If the prices that we pay for telecommunications and internet services rise significantly, our business, results of operations and financial condition could be adversely affected.

**We may be classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, which could result in unfavourable tax consequences to us and our Shareholders, and have a material adverse effect on our business, results of operations and financial condition.**

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 STA 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 the PRC. 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 the PRC, 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 organisations 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 the PRC, 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 the PRC, 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 world-wide 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 realised 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.

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### **Fluctuations in exchange rates could result in foreign currency exchange losses.**

The value of the RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to 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. 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 the PRC 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.

The proceeds from this Global Offering 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 proceeds from the Global Offering. 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 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, results of operations and financial condition, and could reduce the value of, and dividends payable on, the Shares in foreign currency terms.

### **The PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.**

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. We receive substantially all of our net revenue in RMB. 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 RMB is to be converted into foreign currency and remitted out of the PRC to pay capital expenses, such as the repayment of loans denominated in foreign currencies.

The PRC government has imposed more restrictive foreign exchange policies, and stepped up scrutiny of major outbound capital movement. 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

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to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

**PRC regulation of loans to, and direct investments in, PRC entities by offshore holding companies may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity, and our ability to fund and expand our business.**

We may transfer funds to our PRC subsidiaries or finance our PRC subsidiaries by means of shareholders' loans or capital contributions, or to our Consolidated Affiliated Entities and their subsidiaries by means of loans, after completion of Capitalisation Issue and the Global Offering. Any loans to our PRC subsidiaries, Consolidated Affiliated Entities or their subsidiaries cannot exceed a statutory limit, and shall be filed with SAFE or its local counterparts, and if such loan is with a term of more than one year, must be recorded and registered with the NDRC or its local branches. In addition, any capital contributions we make to our PRC subsidiaries shall be filed with MOFCOM or its local counterparts via the online information reporting system and registered with the SAMR or its local branches. We may not be able to complete these government filings on a timely basis, if at all. If we fail to complete such filings, our ability to provide loans or capital contributions to our PRC subsidiaries in a timely manner may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

In March 2015, SAFE promulgated SAFE Circular 19, which took effective and replaced SAFE Circular 142 from 1 June 2015. On 9 June 2016, SAFE promulgated SAFE Circular 16. SAFE Circular 19 and SAFE Circular 16 removed certain restrictions previously provided under SAFE Circular 142 on the conversion by a foreign-invested enterprise of its capital denominated in foreign currency into Renminbi and the use of such Renminbi and allowed foreign invested enterprises to settle their foreign currency-denominated capital at their discretion based on actual needs of their business operations. However, SAFE Circular 19 and SAFE Circular 16 continue to prohibit foreign-invested enterprises from, among other things, using Renminbi fund converted from its foreign exchange capital for expenditure beyond its business scope, or providing loans to non-associated enterprises. In addition, neither SAFE Circular 19 nor SAFE Circular 16 clarifies whether a foreign-invested enterprise whose business scope does not include equity investment or similar activities may use Renminbi converted from the foreign currency-denominated capital for equity investments in the PRC. On 23 October 2019, the SAFE issued SAFE Circular 28, which expressly allows foreign-invested enterprises that do not have equity investments in their approved business scope to use their capital obtained from foreign exchange settlement to make domestic equity investments as long as there is a truthful investment and such investment is in compliance with the foreign investment-related laws and regulations. If our Consolidated Affiliated Entities require financial support from us or our PRC subsidiaries in the future, and we find it necessary to use foreign currency-denominated capital to provide such financial support, our ability to fund our Consolidated Affiliated Entities' operations will be subject to statutory limits and restrictions, including those described above. The applicable foreign exchange circulars and rules may limit our ability to transfer the net

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proceeds from this Global Offering to our PRC subsidiaries and convert the net proceeds into Renminbi, which may adversely affect our business, results of operations and financial condition.

**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.**

On 3 February 2015, the STA promulgated the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-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) (“**Circular 7**”), which provides comprehensive guidelines relating to, and has also heightened the Chinese tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a Chinese resident enterprise (the “**Chinese Taxable Assets**”). For example, Circular 7 states that where a non-resident enterprise transfers Chinese Taxable Assets indirectly, by disposing of equity interests in an overseas holding company directly or indirectly holding such Chinese Taxable Assets, and such transfer is deemed to be, for the purpose of avoiding EIT payment obligations, and without any other bona fide commercial purpose, the transfer may be reclassified by the Chinese tax authorities as a direct transfer of Chinese Taxable Assets. Circular 7 also introduced safe harbours for internal group restructurings and the purchase and sale of equity interests through a public securities market. On 17 October 2017, the STA promulgated the Announcement on Matters Concerning Withholding and Payment of Income Tax of Non-resident Enterprises from Source (關於非居民企業所得稅源泉扣繳有關問題的公告) (“**STA Circular 37**”), which came into force on 1 December 2017. STA Circular 37, among other things, simplifies the procedures of withholding and payment of income tax levied on non-resident enterprises.

Although Circular 7 contains certain exemptions, it is unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares, such as purchasing our Shares in the open market, and selling them in a private transaction, or vice versa, or to any future acquisition by us outside of the PRC involving Chinese Taxable Assets, or whether the Chinese tax authorities classify such transactions by applying Circular 7. Therefore, the Chinese tax authorities may deem any transfer of our Shares by those of our Shareholders that are non-resident enterprises, or any future acquisitions by us outside of the PRC involving Chinese Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional Chinese tax reporting obligations or tax liabilities. In addition, if we fail to comply with Circular 7 and STA Circular 37, the Chinese tax authorities may take action, including requesting us to provide assistance in their investigation, or may impose a penalty on us, which could have a negative impact on our business, results of operations and financial condition.

**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

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connection with their direct or indirect offshore investment activities. The 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 the Circular 37 or other related regulations. We cannot assure 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 the 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 at the Latest Practicable Date, all of our beneficial owners who are PRC citizens, have completed their registration under the Circular 37. However, we may not be fully informed of the identities of all our Shareholders or beneficial owners who are PRC residents, and we cannot assure 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 the Circular 37 or other related rules in a timely manner.

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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 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 results of operations.

**Any requirement to obtain approval from the MOFCOM or the CSRC could delay the Global Offering, and any failure to obtain such approval, if required, could materially and adversely affect our business, operating results and financial condition, as well as the trading price of our Shares.**

According to the M&A Rules jointly issued by the MOFCOM, the SASAC, the STA, the CSRC, SAIC, and the SAFE on 8 August 2006, effective on 8 September 2006 and amended on 22 June 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. Our PRC Legal Advisor is of the opinion that the M&A Rules are not applicable because there occurs no equity or asset acquisition by the foreign investor during the Reorganisation. Accordingly, our PRC Legal Advisor is of the opinion that prior MOFCOM and CSRC approval under the M&A Rules for this Listing is not required. However, we cannot assure that the relevant PRC government agency, including the MOFCOM and CSRC, would reach the same conclusion as our PRC Legal Advisor. If the MOFCOM, the CSRC or other PRC regulatory agencies subsequently determine that we need to obtain necessary approval for this Global Offering, or if MOFCOM, CSRC or any other PRC government authorities promulgates interpretation or implementing rules before our listing that would require any necessary governmental approvals for this Global Offering, we may face sanctions by the MOFCOM, the CSRC or other PRC regulatory agencies. In such event, these regulatory agencies may

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impose fines and penalties on our operations in the PRC, limit our operating privileges in the PRC, delay or restrict the repatriation of proceeds from this Global Offering into the PRC, or take other actions that could have a material adverse effect on our business, results of operations and financial condition, as well as the trading price of our Shares. The MOFCOM, the CSRC or other PRC regulatory agencies may also take actions requiring us to halt this Global Offering before settlement and delivery of the Shares offered by this prospectus.

**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.**

The Circular 37 stipulates that PRC residents who participate in a share incentive plan of an overseas non-publicly-listed special purpose company may register with SAFE or its local branches before they exercise the share options. We and our PRC employees who have been granted restricted shares are subject to the Circular 37. Failure of our PRC restricted Shareholders to complete their SAFE registrations may subject these PRC residents to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiary, limit our PRC subsidiary's ability to distribute dividends to us, or otherwise materially adversely affect our business.

The STA has also 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.

**Certain judgments obtained against us by our Shareholders may not be enforceable.**

We are an exempted company incorporated in the Cayman Islands, and substantially all of our current operations are conducted in the PRC. In addition, a majority of our current Directors and officers are nationals and residents of the PRC. As a result, it may be difficult or impossible for an investor to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or against these individuals in the event that the investor believes that his rights have been infringed under the applicable securities laws or otherwise. In addition, as there are no clear statutory and judicial interpretations or guidance on a PRC court's jurisdiction over cases brought under foreign securities laws, it may be difficult for an investor to bring an original action against us or our PRC resident officers and Directors in a PRC court based on the liability provisions of non-PRC securities laws. Even if an investor is successful in bringing an action of this kind, the laws of the Cayman Islands and of the PRC may render that investor unable to enforce a judgment against our assets or the assets of our Directors and officers.



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### RISKS RELATING TO THIS GLOBAL OFFERING

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

There has not been a public market for our Shares prior to the Global Offering. There is no assurance that there will be an active trading market for our Shares on the Stock Exchange upon the Listing. In addition, the market price of our Shares to be traded on the Stock Exchange may differ from the Offer Price and prospective investors should not treat the Offer Price as an indicator of the market price of our Shares to be traded on the Stock Exchange.

Upon the Listing, the trading volume and the market price of our Shares may be affected or influenced by a number of factors from time to time, including but not limited to, our revenue, profit and cash flow, acquisitions, strategic partnerships, joint ventures or capital commitments, changes in our management and general market conditions or other developments affecting us or our industry. There is no assurance that such factors will not occur and it is difficult to quantify their impact on the trading volume and the market price of our Shares. As a result, investors in our Shares may experience volatility in the market price of the Shares and a decrease in the value of the Shares, regardless of our operating performance or prospects.

In addition, the following factors may cause the market price of our Shares following the Global Offering to vary significantly from the Offer Price: (i) variation in our turnover, earnings and cash flow; (ii) liability claims brought against us based on, for example, defective solutions; (iii) our failure to execute our business strategies; (iv) any unexpected business interruptions resulting from operational breakdowns or natural disasters; (v) inadequate protection of our intellectual property or legal proceedings brought against us for infringement of third parties' intellectual property rights; (vi) any major changes in our key personnel or senior management; (vii) our inability to obtain or maintain regulatory approval for our services; and (viii) political, economic, financial and social developments.

**The market price of our Shares when trading begins may be lower than the Offer Price as a result of, among other things, adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.**

The Offer Price will be determined on the Price Determination Date. However, the Offer Shares will not commence trading on the Stock Exchange until they are delivered. As a result, investors might not be able to sell or otherwise deal in the Offer Shares during that period. Accordingly, holders of the Offer Shares are subject to the risk that the price of the Offer Shares when trading begins may be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

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**There will be a time gap of several business days between pricing and trading of our Shares offered under the Global Offering. The market price of our Shares when trading begins could be lower than the Offer Price.**

The Offer Price of our Shares will be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Business Days after the Price Determination Date. The Shares will not commence trading on the Stock Exchange until they are delivered and it is expected that there will be a considerable gap of time between the pricing of the Shares/closing of the application lists and the commencement of trading. Further, the application for the Hong Kong Offer Shares will commence from Friday, 24 June 2022 through to Thursday, 30 June 2022, which is longer than the normal market practice of 3.5 days. Investors may not be able to sell or otherwise deal in the Shares until the commencement of trading and accordingly, holders of the Shares are subject to the risk that the price of their Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, Shareholders are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

**Investors may experience dilution if our Group issues additional Shares in the future.**

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

**Future sales or a major divestment of Shares by our Controlling Shareholders after the Listing could adversely affect the prevailing market price of the Shares.**

The Shares beneficially owned by our Controlling Shareholders are subject to certain lockup periods, details of which are referred to in the paragraphs headed “Underwriting — Underwriting arrangements and expenses — Undertakings to the Stock Exchange pursuant to the Listing Rules — Undertakings by our Controlling Shareholders” and “Underwriting — Underwriting arrangements and expenses — Undertakings pursuant to the Hong Kong Underwriting Agreement — Undertakings by our Controlling Shareholders” in this prospectus. We cannot guarantee that our Controlling Shareholders will not dispose of our Shares following the expiration of their respective lock-up periods after the Listing Date. Our Group cannot predict the effect, if any, of any future disposal of Shares by any of our Controlling Shareholders, or that the Shares held by our Controlling Shareholders are available for purchase in the market may have on the market price of our Shares. Future sales, disposals, or other transfers of a substantial number of our Shares by our Controlling Shareholders in public market, or any prospects or possibilities of such sales, disposals or other transfers, as to or against which the holders of our Shares may or

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may not have a right to vote or veto, could adversely impact the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate.

**Prospective investors should read the entire document carefully, and we strongly caution prospective investors not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.**

There may be, subsequent to the date of this prospectus but prior to the completion of Capitalisation Issue and the Global Offering, press and media coverage regarding us and the Global Offering, which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorised the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, we have sought the following waivers from strict compliance with the Listing Rules.

### WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

Our Group's management headquarter, senior management, business operations and assets are primarily located, managed and conducted in the PRC and will continue to be based in the PRC. Our Directors consider that the appointment of executive directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company or the Shareholders as a whole.

Accordingly, we have applied 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:

- (a) pursuant to Rule 3.05 of the Listing Rules, our Company has appointed and will continue to maintain two authorised representatives to be the principal communication channel at all times between the Stock Exchange and our Company. The two authorised representatives appointed by our Company are Mr. Chen Yonghui (an executive Director, chairman of the Board and chief executive officer of our Company) and Ms. Chan Hei Man (a joint company secretary of our Company) (the "**Authorised Representatives**"). The Authorised Representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by the Stock Exchange by telephone, facsimile and/or email to deal promptly with any enquiries which may be made by the Stock Exchange. Each of the two Authorised Representatives is authorised to communicate on behalf of our Company with the Stock Exchange.
- (b) the Authorised Representatives have means to contact all the Directors (including the non-executive Director and the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. To enhance communication between the Stock Exchange and the Directors, our Company will implement a policy whereby:
  - (i) each Director will provide his or her up-to-date home, office, mobile and other phone numbers, email address, correspondence address and facsimile number (if available) to the Authorised Representatives;
  - (ii) each Director will provide his or her phone numbers or means of communication to the Authorised Representatives when he or she is travelling; and

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (iii) each Director will provide his or her home, office, mobile and other phone numbers (if any), email address, correspondence address and facsimile number (if available) to the Stock Exchange;
- (c) our Company will, in compliance with Rule 3A.19 of the Listing Rules, appoint Altus Capital Limited, to act as the compliance adviser of our Company who will act as an additional channel of communication between the Stock Exchange and our Company for the period commencing from the Listing Date and ending on the date that our Company publishes its financial results for the first full financial year after the Listing Date pursuant to Rule 13.46 of the Listing Rules. The compliance adviser of our Company will advise our Company on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after Listing and have full access at all times to the Authorised Representative and our Directors;
- (d) any meetings between the Stock Exchange and our Directors may be arranged through the Authorised Representatives or the compliance adviser or directly with our Directors within a reasonable time frame;
- (e) the Company will inform the Stock Exchange as soon as practicable in respect of any changes to the contact details of the Authorised Representatives, our Directors or the compliance adviser;
- (f) subject to travel restrictions or quarantine requirements imposed by the PRC or Hong Kong governments, all Directors and the Authorised Representatives have confirmed that they possess or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and, when required, meet with the Stock Exchange upon reasonable notice; and
- (g) the Company will retain a Hong Kong legal adviser to advise the Company on the compliance with the Listing Rules and other applicable Hong Kong laws and regulations after the Listing.

### WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of their academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of 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;

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (ii) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- (iii) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

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 they played;
- (ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, 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.

Our Company appointed Ms. Chan Hei Man and Ms. Ge Ping, as joint company secretaries. For their biographies, please refer to the paragraph headed “Directors and senior management — Joint company secretaries” in this prospectus.

Ms. Chan Hei Man is a solicitor as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong), and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

The Company’s principal business activities are outside Hong Kong. The Company believes that it would be in the best interests of the Company and the corporate governance of the Group to have as its joint company secretary a person such as Ms. Ge Ping, who is a senior management of the Company and who has day-to-day knowledge of the Company’s affairs. Ms. Ge has the necessary nexus to the Board and close working relationship with management of the Company in order to perform the function of a joint company secretary and to take the necessary actions in the most effective and efficient manner.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules for a three-year period from the Listing Date on the conditions that (i) Ms. Ge must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the three-year period, and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by the Company.

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

### WAIVER IN RESPECT OF CONTINUING CONNECTED TRANSACTIONS

We have entered into, and expect to continue the Contractual Arrangements that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from strict compliance with Chapter 14A of the Listing Rules. For details, please refer to the section headed “Connected transactions” in this prospectus.

## **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

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

## **GLOBAL OFFERING**

The Hong Kong Offer Shares are offered solely on the basis of the information contained, representations made, and on and subject to the terms and conditions set out, in this prospectus. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus. Details of the structure of the Global Offering, including its conditions, are set out in the "Structure of the Global Offering", and the procedures for applying for the Hong Kong Offer Shares are set out in "How to Apply for Hong Kong Offer Shares".

## **DETERMINATION OF THE PRICE**

The Offer Price is expected to be determined between the Representative (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 30 June 2022 and, in any event, not later than Wednesday, 6 July 2022 (unless otherwise determined between the Representative (for itself and on behalf of the Underwriters) and our Company). If, for whatever reason, the Offer Price is not agreed between the Representative (for itself and on behalf of the Underwriters) and our Company on or before Wednesday, 6 July 2022, the Global Offering will not become unconditional and will lapse immediately.



## **UNDERWRITING**

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus sets out the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Representative (for itself and on behalf of the Underwriters) agreeing on the Offer Price. An International Underwriting Agreement relating to the International Offering is expected to be entered into on or around Thursday, 30 June 2022, subject to the Offer Price being agreed. Further information regarding the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting" in this prospectus.

## **RESTRICTIONS ON OFFER OF THE OFFER SHARES**

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of the Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold directly or indirectly in the PRC or the United States.

## **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, 8 July 2022. No part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as at the date of this prospectus. All Offer Shares will be registered on the Company's register of members maintained in Hong Kong in order to enable them to be traded on the Stock Exchange.

## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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

No part of our Company's Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

### **ADMISSION OF THE SHARES INTO CCASS**

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or such other date as may be determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. Investors should seek the advice of their stockbrokers or other professional adviser for details of the settlement arrangements as such arrangements will affect their rights and interests.

### **REGISTER OF MEMBERS AND HONG KONG STAMP DUTY**

Our Company's principal register of members will be maintained by our principal registrar and transfer office, Harneys Fiduciary (Cayman) Limited, in the Cayman Islands. All of the Shares allocated pursuant to the Global Offering will be registered on the Company's register of members to be maintained in Hong Kong by its Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited.

Dealings in the Shares registered in the register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

## **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in, our Shares (or exercising rights attached to them). None of us, the Sole Sponsor, the Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

## **OVER-ALLOTMENT OPTION AND STABILISATION**

Details of the arrangement relating to the Over-allotment Option and stabilisation are set out in the section headed "Structure of the Global Offering" in this prospectus.

## **EXCHANGE RATE CONVERSION**

Solely for convenience purposes, this prospectus includes translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated, or at all. Unless indicated otherwise: (a) the conversion between Renminbi and Hong Kong dollars was made at the rate of RMB0.8166 to HK\$1.00; (b) the conversion between Hong Kong dollars and U.S. dollars was made at the rate of HK\$7.8004 to US\$1.00; and (c) the translation between Renminbi and U.S. dollars was made at the rate of RMB6.3696 to US\$1.00. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

## **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities, enterprises (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese names will prevail.

## **ROUNDING**

Any discrepancies between totals and sums of amounts listed in any table or chart are due to rounding.

<b>DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING</b>
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**DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>
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**Executive Directors**

CHEN Yonghui (陳永輝)	Unit 1502, Building B Huijing New Town C6 Huijing South Road Tianhe District Guangzhou, Guangdong PRC	Chinese
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HUANG Fangjie (黃仿傑)	Room 304, Block 10 Shinian Xiaoya, Yajule Garden Nancun Town Panyu District Guangzhou, Guangdong PRC	Chinese
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LI Hairong (李海榮)	Tianyu Huating AS-1307 No. 360 Longkou West Road Guangzhou, Guangdong PRC	Chinese
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GUO Haiqiu (郭海球)	Room 801 No. 6 Xinhua First Street Tianhe District Guangzhou, Guangdong PRC	Chinese
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**Non-executive Director**

XU Xin (徐欣)	Room 3203 No. 2, Lane 113, Linping Road Hongkou District Shanghai PRC	Chinese
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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
<b>Independent Non-executive Directors</b>		
DU Jianqing (杜劍青)	Room 702, Block 17 No. 125 Jinxin Road Baiyun District Guangzhou, Guangdong PRC	Chinese
WU Ruifeng (吳瑞風)	Room 501, Block 3 No. 2142 Meihua West Road Xiangzhou District Zhuhai, Guangdong PRC	Chinese
WU Jintao (鄔金濤)	A7-2601 Fuli Yinxi Haizhu District Guangzhou, Guangdong PRC	Chinese

For details, please refer to the section headed “Directors and Senior Management” in this prospectus.

## PARTIES INVOLVED IN THE GLOBAL OFFERING

<b>Sole Sponsor</b>	<b>CMB International Capital Limited</b> 45th Floor, Champion Tower 3 Garden Road, Central Hong Kong
<b>Joint Global Coordinators</b>	<b>CMB International Capital Limited</b> 45th Floor, Champion Tower 3 Garden Road, Central Hong Kong  <b>Huatai Financial Holdings (Hong Kong) Limited</b> 62/F, The Center 99 Queen’s Road Central Hong Kong  <b>CLSA Limited</b> 18/F, One Pacific Place 88 Queensway Hong Kong

**DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

**Joint Bookrunners**

**CMB International Capital Limited**

45th Floor, Champion Tower  
3 Garden Road, Central  
Hong Kong

**Huatai Financial Holdings (Hong Kong) Limited**

62/F, The Center  
99 Queen's Road Central  
Hong Kong

**CLSA Limited**

18/F, One Pacific Place  
88 Queensway  
Hong Kong

**Guotai Junan Securities (Hong Kong) Limited**

28/F, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

**Citrus Securities Limited**

Room 2201, 22/F, OfficePlus@Wan Chai  
303 Hennessy Road, Wanchai  
Hong Kong

**Joint Lead Managers**

**CMB International Capital Limited**

45th Floor, Champion Tower  
3 Garden Road, Central  
Hong Kong

**Huatai Financial Holdings (Hong Kong) Limited**

62/F, The Center  
99 Queen's Road Central  
Hong Kong

**CLSA Limited**

18/F, One Pacific Place  
88 Queensway  
Hong Kong

**Guotai Junan Securities (Hong Kong) Limited**

28/F, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

**DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

**Citrus Securities Limited**

Room 2201, 22/F, OfficePlus@Wan Chai  
303 Hennessy Road, Wanchai  
Hong Kong

**Livermore Holdings Limited**

Unit 1214A, 12/F, Tower II Cheung Sha Wan Plaza  
833 Cheung Sha Wan Road, Kowloon  
Hong Kong

**Legal Advisers to Our  
Company**

*As to Hong Kong laws*

**Zhong Lun Law Firm LLP**

4/F, Jardine House  
1 Connaught Place  
Central  
Hong Kong

*As to PRC laws*

**Beijing Zhong Lun Law Firm (Shenzhen Office)**

8-10/F, Tower A, Rongchao Tower  
6003 Yitian Road  
Futian District  
Shenzhen, Guangdong  
PRC

*As to Cayman Islands laws*

**Ogier**

11th Floor Central Tower  
28 Queen's Road Central  
Central  
Hong Kong

**Legal Advisers to the Sole  
Sponsor and the  
Underwriters**

*As to Hong Kong laws*

**Jingtian & Gongcheng LLP**

Suites 3203-3207, 32/F  
Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

*As to PRC laws*

**Beijing Jingtian & Gongcheng Law Firm**

Unit 05-06, 16/F, China Resources Tower  
No. 2666 Keyuan South Road, Yuehai Street  
Nanshan District  
Shenzhen, Guangdong  
PRC

<b>DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING</b>
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**Reporting Accountant and  
Independent Auditor**

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
22/F, Prince's Building  
Central  
Hong Kong

**Industry Consultant**

**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.**  
Room 2504, Wheelock Square  
No. 1717 West Nanjing Road  
Jing'an District  
Shanghai  
PRC

**Receiving Bank**

**CMB Wing Lung Bank Limited**  
45 Des Voeux Road Central  
Hong Kong

**Compliance Adviser**

**Altus Capital Limited**  
21 Wing Wo Street  
Central  
Hong Kong



## CORPORATE INFORMATION

<b>Registered Office in the Cayman Islands</b>	<b>Harneys Fiduciary (Cayman) Limited</b> 4th Floor, Harbour Place 103 South Church Street, P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands
<b>Headquarter and Principal Place of Business in the PRC</b>	No. 6383, Flat 501 No. 1021 Gaopu Road Tianhe District Guangzhou, Guangdong PRC
<b>Principal Place of Business in Hong Kong</b>	4/F, Jardine House No. 1 Connaught Place Central Hong Kong
<b>Company Website</b>	<b><u><a href="http://cloud.wxchina.com">cloud.wxchina.com</a></u></b> <i>(the information contained on this website does not form part of this prospectus)</i>
<b>Joint Company Secretaries</b>	<b>GE Ping</b> Room 2306, Lu Hu Xuan No.9 Luhu Road Yuexiu District Guangzhou PRC  <b>Chan Hei Man</b> <i>Solicitor of the High Court of Hong Kong</i> 4/F, Jardine House No. 1 Connaught Place Central Hong Kong
<b>Authorised Representatives (for the purpose of the Listing Rules)</b>	<b>CHEN Yonghui</b> Unit 1502, Building B, Huijing New Town C6 Huijing South Road Tianhe District Guangzhou, Guangdong PRC

## CORPORATE INFORMATION

	<p><b>Chan Hei Man</b> <i>Solicitor of the High Court of Hong Kong</i> 4/F, Jardine House No. 1 Connaught Place Central Hong Kong</p>
<b>Audit Committee</b>	<p>WU Ruifeng (吳瑞風) (<i>Chairperson</i>) DU Jianqing (杜劍青) WU Jintao (鄔金濤)</p>
<b>Remuneration Committee</b>	<p>WU Jintao (鄔金濤) (<i>Chairman</i>) GUO Haiqiu (郭海球) WU Ruifeng (吳瑞風)</p>
<b>Nomination Committee</b>	<p>CHEN Yonghui (陳永輝) (<i>Chairman</i>) DU Jianqing (杜劍青) WU Jintao (鄔金濤)</p>
<b>Principal Share Registrar and Transfer Office</b>	<p><b>Harneys Fiduciary (Cayman) Limited</b> 4th Floor, Harbour Place 103 South Church Street, P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands</p>
<b>Hong Kong Share Registrar</b>	<p><b>Computershare Hong Kong Investor Services Limited</b> Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong</p>
<b>Compliance Adviser</b>	<p><b>Altus Capital Limited</b> 21 Wing Wo Street Central Hong Kong</p>
<b>Principal Bank</b>	<p><b>China Merchants Bank</b> 1/F, Tower A, Victoria Plaza No. 101 Tiyu West Road Tianhe District Guangzhou, Guangdong PRC</p>

## INDUSTRY OVERVIEW

*The information and statistics set out in this section and other sections of this prospectus were extracted from the report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Sole Sponsor, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.*

### OVERVIEW OF THE INTELLIGENT CRM SERVICES INDUSTRY IN THE PRC

#### Definition of intelligent CRM services

Intelligent Customer Relationship Management (CRM) refers to comprehensive CRM services integrated with cloud and communications, Artificial Intelligence (“AI”) and Data Intelligence (“DI”), providing both PaaS and SaaS services. Intelligent CRM services enable a broad range of clients to manage their critical operations throughout the entire business cycle in a more efficient and effective way.

#### Characteristics of intelligent CRM services market in the PRC

The traditional CRM market emerged in the PRC in 2000, and further developed since 2015, strongly benefited from the rapid development of the Internet and SaaS services. Entering 2018, intelligent CRM services providers began to emerge offering comprehensive CRM services integrated with cloud and multi-touch communication, AI and DI capabilities. Effectively solving the pain points of traditional CRM services such as lack of customised products, low operating efficiency, difficulty in enhancing client retention rate, intelligent CRM services providers are subverting the traditional market in the long run.

#### *Customised services empowered by in-depth industry knowledge and expertise*

Intelligent CRM services products are able to provide one-stop intelligent CRM services through a comprehensive product matrix covering different sectors and business scenarios throughout clients’ entire business cycle from initial marketing, sales, to after-sales services, thus can effectively improve the satisfaction rate as well as the retention rate of clients. With in-depth understanding of needs that emerged from clients in various industries with industry specific requests, intelligent CRM services can provide further customised and targeted solutions.

#### *Improving efficiency*

Benefiting from AI, and DI technologies, intelligent CRM services have strong ability of storing, computing and modelling which can significantly improve the operating efficiency and the quality of organisational communications, compared with

## INDUSTRY OVERVIEW

traditional CRM services. In addition, with intelligent CRM services, the industry clients not only able to acquire and monitor their customers' data timely, but also forecast future business opportunities and gain valuable insights through precise data analytics, which enable clients to make more efficient and reasonable business decisions.

### *Enhancement of client stickiness*

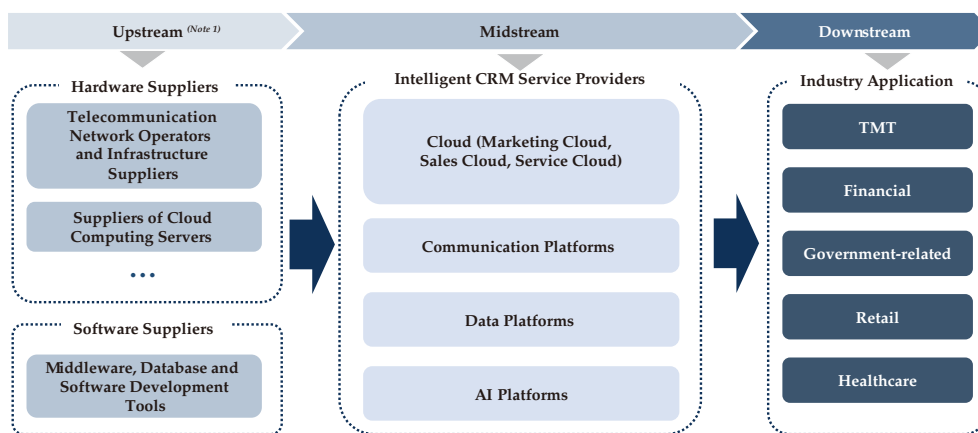
With the advanced capacities of intelligent CRM services, intelligent CRM services providers enable their clients to grasp end-customers' changing insights and consumption habits in a timely manner and to reach and interact with them more effectively, which can help to improve end-customers' retention rate and stickiness in an effective way. As a result, the industry clients would like to have a long-term cooperation with reliable intelligent CRM services providers, which in return enhance the stickiness of intelligent CRM services providers, achieving a win-win situation.

### Value chain analysis

The value chain of the intelligent CRM services market in the PRC consists of upstream hardware and software suppliers, midstream intelligent CRM services providers, and downstream industry users.

Upstream suppliers including hardware suppliers and software suppliers are crucial. Hardware suppliers mainly include telecommunication network operators and infrastructure suppliers as well as suppliers of cloud computing servers; and software suppliers mainly provide middleware, database and software development tools for midstream platforms. Technology, Media, Telecom (TMT), financial (includes banking, securities and insurance), Government-related, and retail are the major downstream industries of the intelligent CRM services market in the PRC.

### Value chain of the intelligent CRM services industry



Source: Frost & Sullivan Report

Note:

- (1) (a) telecommunication network operators and infrastructure suppliers provide basic infrastructure and channel to the entire intelligent CRM services cycle, e.g. China Telecom, China Mobile and China Unicom; (b) cloud computing server suppliers provide strong cloud computing and communication capability.

## INDUSTRY OVERVIEW

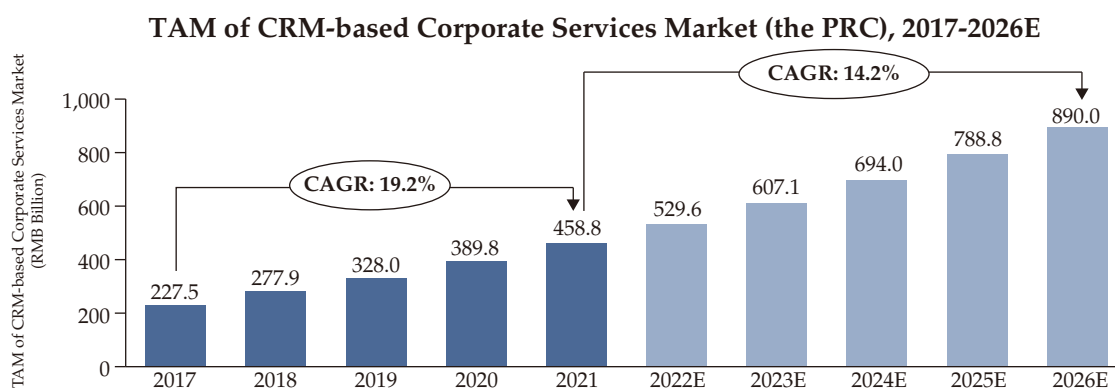
### Value Proposition of Intelligent CRM Services Providers

Intelligent CRM services providers are the major components of intelligent CRM services industry in the PRC and serve as a bridge which connects upstream and downstream. The intelligent CRM services consist of CRM PaaS and CRM SaaS services. CRM PaaS services encapsulates cloud and multi-touch communication, AI and DI capabilities to be integrated into clients' business systems; and the CRM SaaS services include (i) marketing cloud solutions which enable clients to promote their products or services to targeted audiences precisely, seeking their attention and maintaining relationships between clients and their end customers, (ii) sales cloud solutions which are able to improve client's customer acquisition capabilities and achieve higher sales efficiency, and (iii) service cloud solutions which help to enhance clients' customer service quality and improve customer retention rate.

Given that the internet network and telecommunications in the PRC typically operate in separate entities, through a number of provincial branches, intelligent CRM services providers can leverage platforms and cloud computing capabilities to integrate communication traffic from upstream telecommunication network operators so as to allow telecommunication network operators to access and manage the integrated telecommunication resources centrally through intelligent CRM services with higher efficiency. The major telecommunication network operators in the PRC are client-supplier D, E and H (which are also our major suppliers during the Track Record Period) and their market shares accounted for 20.3%, 51.2%, and 27.5% in terms of revenue of telecommunication services, respectively, in the PRC telecommunication industry in 2020.

### TAM of CRM-based corporate service industry in the PRC

TAM of the CRM-based corporate services market is estimated to increase from RMB227.5 billion in 2017 to RMB458.8 billion in 2021, with a CAGR of 19.2%, assuming all enterprises using the CRM-based corporate services. In 2026, TAM of CRM-based corporate services is expected to reach to RMB890.0 billion, with a CAGR of 14.2%.



- TAM of CRM-based corporate services market is estimated to increase from RMB227.5 billion in 2017 to RMB458.8 billion in 2021, with a CAGR of 19.2%, assuming all enterprises using CRM-based corporate services and each enterprise spending approximately RMB9,000 per annum on CRM-based corporate services. In 2026, TAM of CRM-based corporate services is expected to reach RMB890.0 billion.

## INDUSTRY OVERVIEW

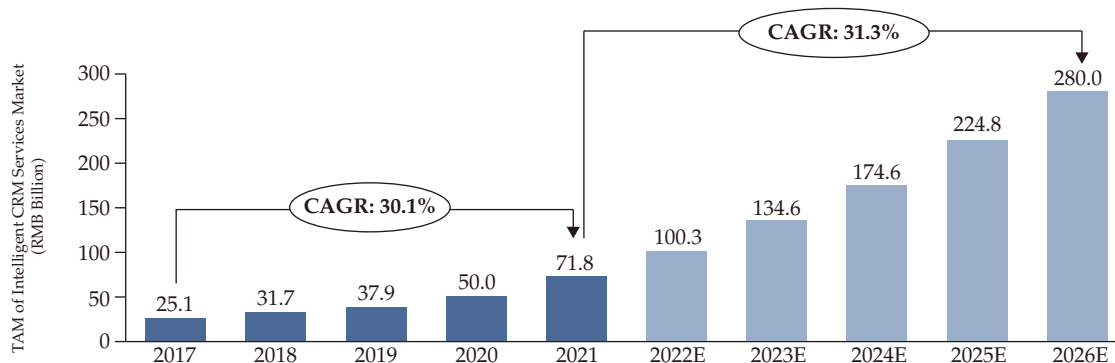
- TAM of CRM-based corporate services market assumes that all types of corporates would use CRM-based corporate services and the market size would reach RMB458.8 billion in 2021. As such, there's plenty room for intelligent CRM services providers to reach in the forecast period, given the penetration rate of intelligent CRM services to all types of corporates is relatively low in 2021.
- The source of information regarding the number of corporates was the SAMR and the information regarding CRM-based corporate services fee was derived from interviews.

Source: Frost & Sullivan

### Market size and growth of intelligent CRM services industry in the PRC

With the development of cloud communication facilities, an increasing number of internet users, and strong demand from downstream users, the intelligent CRM services market has experienced tremendous growth in recent years assuming all enterprises using intelligent CRM services, which are fully integrated with capabilities including cloud and communications, Artificial Intelligence (“AI”) and Data Intelligence (“DI”), providing both PaaS and SaaS services. TAM of the intelligent CRM services market increased from RMB25.1 billion in 2017 to RMB71.8 billion in 2021, representing a CAGR of 30.1%. In the future, TAM of the intelligent CRM services market is expected to increase to RMB280.0 billion in 2026, representing a CAGR of 31.3% from 2021. TAM of the intelligent CRM services market is still in a relatively fragmented stage as different types of players are trying to expand their services mix alongside with the rapid growth of the entire market.

TAM of Intelligent CRM Service Market (the PRC), 2017-2026E



- With the development of cloud communication facilities, an increasing number of internet users, and strong demand from downstream users, the intelligent CRM services market has experienced tremendous growth in recent years assuming all enterprises using intelligent CRM services, which are fully integrated with capabilities including cloud and communications, Artificial Intelligence (“AI”) and Data Intelligence (“DI”), providing both PaaS and SaaS services.

## INDUSTRY OVERVIEW

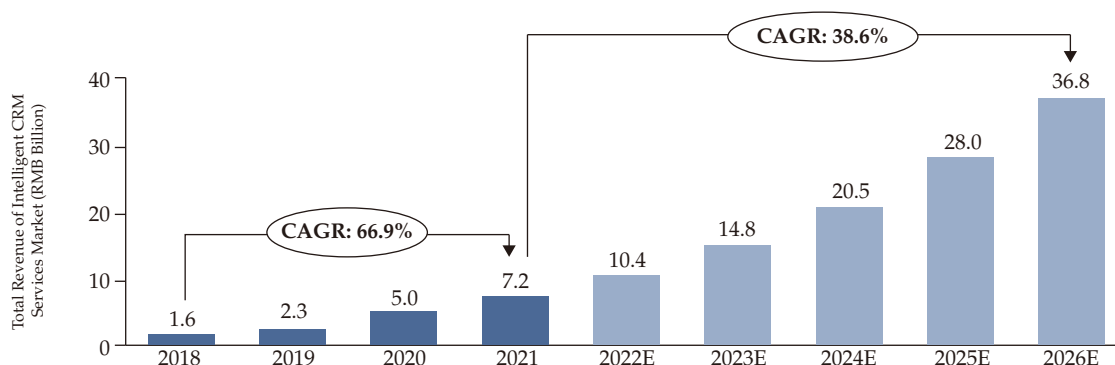
- TAM of the intelligent CRM service market increased from approximately RMB25.1 billion in 2017 to approximately RMB71.8 billion in 2021, representing a CAGR of approximately 30.1%. In the future, TAM of the intelligent CRM service market is expected to increase to approximately RMB280.0 billion in 2026, representing a CAGR of approximately 31.3% from 2021. TAM of the intelligent CRM services market is still in a relatively fragmented stage as different types of players are trying to expand their services mix alongside with the rapid growth of the entire market.

*Source: China Academy of Information and Communications Technology, Frost & Sullivan*

Entering 2018, intelligent CRM services providers began to emerge, offering comprehensive CRM services integrated with cloud and multi-touch communication, AI and DI capabilities. The total revenue of the intelligent CRM services market increased from RMB1.6 billion in 2018 to RMB7.2 billion in 2021. In the future, the total revenue of the intelligent CRM services market is expected to increase to approximately RMB36.8 billion in 2026, representing a CAGR of approximately 38.6% from 2021. In 2021, the total revenue of intelligent CRM services market accounted for 10.0% of TAM of intelligent CRM services market, and will further account for 13.1% of TAM of intelligent CRM services market in 2026 as expected.

The intelligent CRM services providers can serve their clients' evolving business needs and leverage on their comprehensive services mix powered by technologies such as big data, AI, DI, cloud computing, etc., hence achieving faster growth by capturing market opportunities than traditional CRM services providers and other service providers.

**Total Revenue of Intelligent CRM Service Market (the PRC), 2018-2026E**



*Source: Frost & Sullivan*

- Entering 2018, some CRM service providers began to emerge, offering comprehensive CRM services integrated with cloud and multi-touch communication, AI and DI capabilities. The total revenue of the intelligent CRM service market increased from approximately RMB1.6 billion in 2018 to approximately RMB7.2 billion in 2021. In the future, the total revenue of the

## INDUSTRY OVERVIEW

intelligent CRM service market is expected to increase to approximately RMB36.8 billion in 2026, representing a CAGR of approximately 38.6% from 2021.

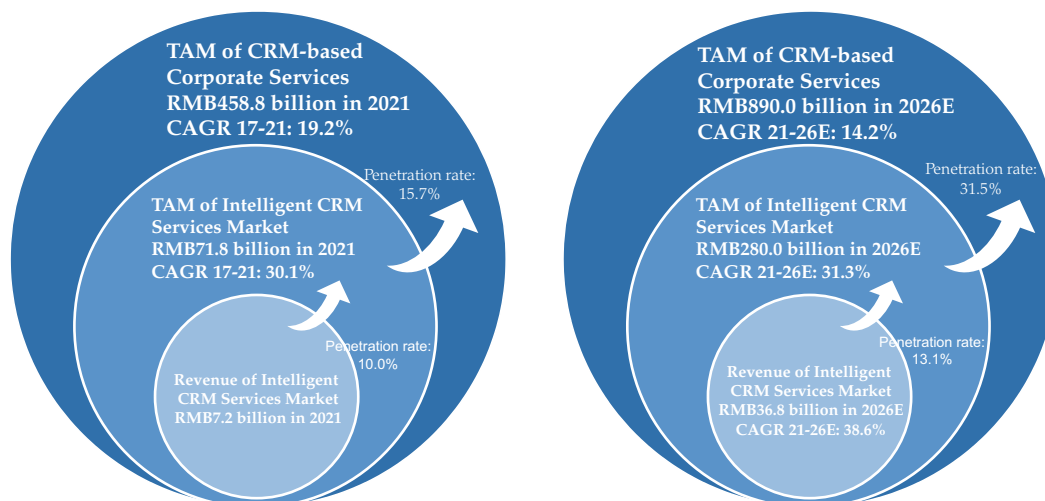
- In 2021, the total revenue of intelligent CRM service market accounted for 10.0% of TAM of intelligent CRM service market, and will further account for 13.1% of TAM of intelligent CRM service market in 2026 as expected. The intelligent CRM services providers can serve their clients' evolving business needs and leverage on their comprehensive services mix powered by technologies such as big data, AI, DI, cloud computing, etc., hence achieving faster growth by capturing market opportunities than traditional CRM services providers and other service providers.
- Scientific and technology progress has promoted the development of digital economy, which brings new challenges and higher requirements for daily operations, business model upgrades and strategic planning for Chinese enterprises, among which the large-scale enterprises generally have stronger purchasing power with higher demands of communications and CRM services demand, as well as larger customer base, compared to small- and medium-sized enterprises. While in the future, with the digital transformation and rising market acceptance of intelligent CRM services, an increasing number of small- and medium-size enterprises is expected to become clients for intelligent CRM service suppliers.
- In recent years, more enterprises have demonstrated strong awareness of using intelligent CRM services instead of traditional CRM products, due to the benefits and advantages brought by intelligent CRM services. TMT, finance, retail, and government-related industries are the major vertical applications of the intelligent CRM service market in the PRC. The penetration rate of the top industries (i.e. financial and TMT) in the intelligent CRM services industry was over 15% in 2021. With the development of new consumption behaviour and new model of retail business, the retail industry has shown the highest growth rate of penetration among the others.

Scientific and technological progress has promoted the development of digital economy, which brings new challenges and higher requirements for daily operations, business model upgrades and strategic planning for Chinese enterprises. However, the large-scale enterprises generally have stronger purchasing power with higher demands of communications and CRM services, as well as larger customer base, compared to small- and medium-sized enterprises. In the future, with the digital transformation and rising market acceptance of intelligent CRM services, an increasing number of small- and medium-sized enterprises is expected to become clients for intelligent CRM services suppliers.



## INDUSTRY OVERVIEW

### TAM of CRM-based Corporate Services Market, Intelligent CRM Service Market and Revenue of Intelligent CRM Service Market (the PRC), 2021 vs. 2026E



Source: Frost & Sullivan

### Intelligent CRM services development in major industries

In recent years, more enterprises have demonstrated a strong awareness of using intelligent CRM services instead of traditional CRM products, due to the benefits and advantages brought by intelligent CRM services. TMT, financial, retail, and government are the major vertical applications of the intelligent CRM services market in the PRC. As for the penetration rate among industries for intelligent CRM services, because of the large business scale and strong demand of these industries, TMT and financial are the top industries with over 15.0% penetration rate in 2021. With the development of new consumption behaviour and new model of retail business, the retail industry has shown the highest growth rate of penetration rate among the others.

### Key drivers for the intelligent CRM services industry in the PRC

#### *Stable development of communication infrastructure*

The PRC has witnessed steady growth in the information technology (“IT”) industry and the advancement of basic communication infrastructure in recent years, which provides a solid foundation for the development of the intelligent CRM services market. The total IT expenditure, which is mainly used in construction of basic IT infrastructure, has increased from RMB2,491.2 billion in 2017 to RMB3,227.8 billion in 2021, which reflected the stable development of basic IT infrastructure. Stable communication infrastructure is essential for the development of the intelligent CRM services market, as it relies on internet and cloud computing to acquire and process customer’ data so as to provide customised and one-stop intelligent CRM services to different clients.

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### *Strong downstream demand for improving service quality and integrated intelligent CRM services*

With an increasing number of enterprises and a dynamic of customers' changing needs, the downstream industries are facing fierce and intense competition. Therefore, it is crucial to obtain an in-depth understanding of consumption habits and preferences of different customers, as well as improving customer service quality and satisfaction. An intelligent CRM services provides an intelligent integrated platform to analyse customers' first-hand information and form customised solutions quickly, which can improve enterprises' service quality and operational efficiency. Meanwhile, more enterprises have been aware of the importance of integrated intelligent CRM services, which utilise advanced technology to build comprehensive and efficient data and service system, as well as optimise their entire product life cycle systems.

### *Favourable policies*

The PRC government has issued and implemented a series of policies that encourage the adoption of cloud computing, AI and big data, which facilitates the continued development and broad application of cloud communication services and intelligent CRM services. For example, the Ministry of Industry and Information Technology issued the "Three-year Action Plan for Cloud Computing Development (2017-2019)" (《雲計算發展三年行動計劃(2017-2019年)》) to encourage the technological innovation and transformation of cloud computing related enterprises.

### **Future development of the intelligent CRM services industry in the PRC**

#### *Integration of artificial intelligence and big data*

The integration of artificial intelligence ("AI") and big data with intelligent CRM services is expected to become a market trend in the future. According to the "Artificial Intelligence Development Report 2020" (《人工智能發展報告2020》), the PRC is ranked in the forefront of multiple sub-fields of AI and is ranked first in the number of patent applications in the world. Benefiting from the rapid development of AI, enterprises can utilise voice robots, image recognition, automatic text input to optimise the software use efficiency and simplify the difficulty of software use. Big data, mainly reflected in Business Intelligence ("BI") and Data Intelligence ("DI"), which helps enterprises to better manage and retain customer data and explore potential businesses and opportunities. By portraying multi-dimensional desensitised user portraits such as name, age, gender, purchase information, browsing action and other dimension information, enterprises can have a clear insight of their customers and businesses, thus achieving higher sales by precise targeting.

#### *Complete industrial chain development*

Traditional CRM services mainly help enterprises organise and locate their customer database in order to facilitate effective allocation of resources, and simplify the communication methods for salesperson. In order to become more customer-centric, a complete industrial chain linking enterprise, distributors, and service providers is expected to become one of the major features in the intelligent CRM services market of the PRC.

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### *The development of comprehensive CRM services with multi-touch communication*

Intelligent CRM services providers are expected to offer comprehensive, all-channel marketing solutions with multi-touch communication capabilities (e.g. voice and text verification code module, notification text and call module, hidden-number, video message, 5G message and WeChat message module), in order to satisfy clients' various communication needs and empower with ready-to-use communication capabilities covering entire business cycle.

### *Cross-selling and integrated solutions*

To satisfy the diverse needs of downstream users throughout the entire business process, the ability of enterprises to provide integrated solutions including pre-sales and after-sales services, such as marketing, sales, services and technical supports, is vital. Services providers are expected to adopt the strategy of cross-selling in marketing cloud, sale cloud and service cloud by replicable technical foundation and experience. Therefore, the marketing drainage of different products, the marginal cost of acquiring new users is expected to reduce, thus becoming more cost-efficient.

### *Impact of the COVID-19 on the intelligent CRM services industry*

The COVID-19 pandemic has further necessitated and accelerated the adoption of intelligent CRM services. Under the COVID-19 epidemic, more companies have turned to online customer acquisition and online customer management, and intelligent CRM services has been a powerful digital tool. Remote collaboration, online meetings, and online customer service based on cloud computing technology have been more commonly used in commercial area with the help of capable intelligent CRM solutions. As the intelligent CRM services system continues to evolve in terms of connectivity, mobility, big data orientation, social networking and other capabilities, it is expected to better help enterprises connect internally and externally, which in turn further deepen the progress of digitalisation during the COVID-19 epidemic.

In addition, advanced technologies and applications related to intelligent CRM services emerged during the COVID-19 pandemic, supported by strong demand from downstream industry users, such as retail, TMT, education, etc. With the explosive growth of customer data, more comprehensive integration of AI technology into intelligent CRM services systems has also become another trend. AI, under the COVID-19 epidemic, has become a key function of the continuous evolution of intelligent CRM services, which assists customers in diagnosing information more quickly and provides more accurate predictions.

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### COMPETITIVE OVERVIEW OF THE INTELLIGENT CRM SERVICES INDUSTRY IN THE PRC

#### Ranking and market shares of top five players in the intelligent CRM services industry

The intelligent CRM service industry in the PRC is highly concentrated with top five players accounted for an aggregate market share of 63.0% in terms of revenue in 2021. Our company was the largest domestic provider of intelligent CRM services in the PRC with a market share of 13.8% in terms of revenue of domestic intelligent CRM services provider in 2021, and the second largest provider of intelligent CRM services in the PRC in terms of revenue of intelligent CRM services provider in 2021.

The table below sets forth the ranking and market shares of the top five players in the intelligent CRM services industry in terms of revenue in 2021.

Ranking	Intelligent CRM providers	Revenue of intelligent CRM (RMB million)	Market Share (%)
1	Company G <sup>vi</sup>	1,300.0	18.1
2	The Group	991.9	13.8
3	Company A	990.0	13.8
4	Company C	700.0	9.7
5	Company B	546.4	7.6
<b>Top five</b>		<b>4,528.3</b>	<b>63.0</b>
<b>Total</b>		<b>7,200.0</b>	<b>100.0</b>

The table below sets forth the ranking and market shares of the top five domestic players in the intelligent CRM services industry in terms of revenue in 2021.

	Total revenue derived from intelligent CRM services in 2021 (RMB in millions)	Market Share (%)
1.	Our Company 991.9	13.8
2.	Company A <sup>i</sup> 990.0	13.8
3.	Company C <sup>iii</sup> 700.0	9.7
4.	Company B <sup>ii</sup> 546.4	7.6
5.	Company D <sup>iv</sup> 370.7	5.1
<b>Top five</b>		<b>50.0</b>
<b>Total</b>		<b>100.0</b>

The intelligent CRM services consist of CRM PaaS service segment and CRM SaaS service segment. CRM PaaS service segment encapsulates cloud and multi-touch communication, AI and DI capabilities to be integrated into clients' business systems; and the CRM SaaS service segment include (i) marketing cloud solutions, (ii) sales cloud solutions, and (iii) service cloud solutions.

## INDUSTRY OVERVIEW

### Ranking of top five players in the CRM PaaS services segment

The table below sets forth the ranking of the top five players in the CRM PaaS services segment in terms of revenue in 2021.

		<b>Total revenue derived from CRM PaaS services in 2021 (RMB in millions)</b>
1.	Company A <sup>i</sup>	897.0
2.	Our Company	554.6
3.	Company E <sup>v</sup>	264.0
4.	Company B <sup>ii</sup>	79.0
5.	Company D <sup>iv</sup>	44.7
<b>Top five</b>		<b>1,839.3</b>

### Ranking of top five players in the CRM SaaS services segment

The table below sets forth the ranking of the top five players in the CRM SaaS services segment in terms of revenue in 2021.

		<b>Total revenue derived from CRM SaaS services in 2021 (RMB in millions)</b>
1.	Company C <sup>iii</sup>	700.0
2.	Company B <sup>ii</sup>	467.4
3.	Our Company	437.3
4.	Company D <sup>iv</sup>	326.0
5.	Company H <sup>vii</sup>	240.0
<b>Top five</b>		<b>2,170.7</b>

Source: Frost & Sullivan Report

Notes:

The Company's data is provided by the Company's audit data.

Company	Background	Registered capital (RMB million)	Customer base	Major customers by industry	Total number of employees	Listing status	Established Year	Headquarters
Company A	Company A principally provides cloud-based communications solutions including cPaaS, cloud-based contact center solutions, cloud-based unified communications and collaborations, as well as intelligent CRM services.	100	Focus on large-scale enterprises	Internet, telecommunications, financial services, education, industrial manufacturing and energy	~1,200	Yes	2013	Beijing
Company B	Company B principally provides SaaS subscription solutions including intelligent CRM services, and various payment services for merchants.	-3,000	Focus on SMEs	E-commerce retail, beauty, education	~4,500	Yes	2012	Zhejiang Province
Company C	Company C principally provides subscription solutions including intelligent CRM services and ERP solutions, as well as merchant solutions including advertisement placement services, data analysis tools, etc.	4,000	Focus on large-scale enterprises	E-commerce retail, catering, education, home furnishing, financial services, tourism	~8,500	Yes	2013	Shanghai
Company D	Company D principally provides cloud-based communications solutions including intelligent contact center solutions, mobile application of customer communication solutions, as well as intelligent CRM services.	-50	Focus on large-scale enterprises	Technology, education, insurance	~450	No	2006	Beijing
Company E	Company E principally provides cloud-based intelligent CRM SaaS services, such as marketing cloud, sales cloud, service cloud, social CRM, as well as CRM PaaS service.	60	Focus on SMEs	Retail, beauty, food, healthcare, fashion	~400	No	2010	Fujian Province
Company G	Company G principally provides CRM software and applications focused on sales, customer service marketing automation, analytics, and application development, including intelligent CRM services.	N/A	Focus on large-scale enterprises	Financial services, healthcare and life sciences, manufacturing	~73,000	Yes	1999	California
Company H	Company H principally provides social CRM solutions focused on sales cloud, as well as marketing cloud, service cloud.	-100	Focus on SMEs	Education, internet, financial services, commercial services, healthcare, corporate services	~300	No	2008	Guangdong Province

## INDUSTRY OVERVIEW

### **Key factors leading to the success in the intelligent CRM services industry in the PRC**

#### *Rapid deployment*

Intelligent CRM services can be quickly deployed and easily configured, which saves more time for clients in the process of installing or maintaining servers, network equipment, security system, or other infrastructure hardware and software required to ensure scalable and reliable services. In addition, cloud communication and SaaS services are applied in the intelligent CRM products at the same time, helping clients with a more integrated and smoother customer relationship management from its rapid deployment.

#### *Secure, scalable and reliable platform*

Intelligent CRM services are designed to provide clients with high levels of reliability, performance, and security. When clients use intelligent CRM services, it ensures excellent security, thus safeguards their business data. Stable network performance and ultra-high bandwidth also enable CRM services providers to meet and tailor the needs of different clients in accordance with their business models.

#### *Brand awareness and reputation*

Branding is crucial to the intelligent CRM services providers in order to attract prospective clients and generate revenue. One way to attain better branding is through building up reputation with products and services of high quality, since that would inevitably attract new clients, and ultimately help expand the market shares of an intelligent CRM services provider. Moreover, most clients do not tend to switch to any alternative due to high switching costs and risks of losing a reliable service provider. Therefore, clients normally prefer to renew their present contracts, and it is such loyalty from clients that helps intelligent CRM services providers to succeed in the market.

#### *Integration of technologies*

Integration amongst big data, AI, DI, and other leading technologies are the other key factors for the success in the industry. Use of big data helps clients obtain more accurate data, clearer visual analysis and real time tracking amidst their daily operation. Meanwhile, the use of AI helps client in their efficient decision-making processes, problem diagnosis and other services.

### **Entry barriers of intelligent CRM services industry in the PRC**

#### *Professional skills and team with innovative abilities*

Due to the fact that the intelligent CRM services market is heavily technology-oriented, strong R&D capacity is the foundation to achieve success in this market. Therefore, having a solid team of innovative professional personnel in the R&D department would be crucial and advantageous in constructing a highly efficient R&D structure, which enables intelligent CRM services providers to capture complex and evolving clients' demands over public and private clouds for clients across small-,

## INDUSTRY OVERVIEW

medium and large enterprises. Hence, new entrants would have difficulties in accumulating CRM and cloud communication technologies and recruiting experts in this area.

### *Synergistic product*

The core of intelligent CRM services lies with the integration of cloud and multi-touch communication, AI and DI capabilities into the CRM services system or process. This requires market players' experience in these two aspects in order to completely understand client's needs and provide an integrated product that can function together synergistically. For the new entrants in the market who lack experience, their inability to offer any synergistic products would be another barrier to their access to the market.

### *Marketing channels and customer resources*

Establishing and maintaining an effective marketing-sales channel is vital for intelligent CRM services providers to reach a larger business scale, which is another barrier for new entrants. Serving corporate clients is the crux for intelligent CRM services providers to thrive in the market. Therefore, it is particularly important for market players to have a well-functioning sales and marketing mechanism to promote their products and services, and maintain a long-term relationship with existing clients at the same time. However, new entrants are relatively vulnerable in terms of business operations and maintaining product quality, making them unable to establish a solid marketing-sales channel to help them expand their customer base.

### *Initial capital investment*

For new entrants, it is crucial to have sufficient capital to operate a sustainable intelligent CRM services business. Initial expenses include soft costs, such as hiring technical talents, software development, business promotion, and hard costs, such as server leasing/construction, building supply chain, etc. For those players who want to take up a considerable market scale in the intelligent CRM services market, sufficient start-up capital is indispensable, which sets up barriers for new entrants.

## SOURCES OF INFORMATION

In connection with the Global Offering, we have engaged Frost & Sullivan, an independent market researcher and consultant, to conduct a detailed analysis and industry report on the market in the PRC for the intelligent CRM services market. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. It is principally engaged in the provision of market research consultancy service, conducting industry research, and providing market and enterprise strategies and consultancy services across various industries. We incurred a total of RMB680,000 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 Global Offering or on the result of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the Global Offering.

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We have extracted certain information from the Frost & Sullivan Report in this section and elsewhere in this prospectus 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 recognised 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.

The Frost & Sullivan Report was compiled based on the following assumptions: (i) the PRC's economy will remain stable in the forecast period; (ii) the PRC's social, economic, and political environment will remain stable in the forecast period; and (iii) market drivers, such as stable development of communication infrastructure, strong downstream demand for improving service quality and integrated intelligent CRM solutions, supportive policies, and regulations are expected to drive the growth of the PRC's intelligent CRM services market.



### LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Company Law of the PRC (《中華人民共和國公司法》) (the “**Company Law**”), which was enacted by the Standing Committee of the National People’s Congress (the “**SCNPC**”) on 29 December 1993 and was last amended on 26 October 2018, provides for the establishment, corporate structure and corporate management of companies, which also applies to foreign-invested enterprises in PRC. Nevertheless, where there are other special laws relating to foreign investment, such laws shall prevail.

Wholly Foreign-owned Enterprises Law of the PRC (2016 Amendment, repealed) (《中華人民共和國外資企業法》(2016修訂)) and the Detailed Rules for the Implementation of Wholly Foreign-owned Enterprises Law of the PRC (2014 Amendment, repealed) (《中華人民共和國外資企業法實施細則》(2014修訂)) specified rules and regulations on the establishment, operation and management of whole-foreign-funded enterprises in China. Foreign-funded enterprises whose formation and modification were not subject to special administrative measures for market access shall undergo the filing formalities prescribed by the Interim Measures for the Recordation Administration of the Formation and Modification of Foreign-funded Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) (the “**Interim Measures for the Recordation Administration**”, repealed).

Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”) was issued on 15 March 2019, and came into force from 1 January 2020, which replaced the Law of the People’s Republic of China on Chinese-foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), Law of the People’s Republic of China on Chinese-Foreign Contractual Joint Ventures (《中華人民共和國中外合作經營企業法》) and Law of the People’s Republic of China on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》). On 26 December 2019, the State Council issued the Regulations for Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the “**Implementation Rules**”), which came into effect on 1 January 2020, which replaced the Regulations on Implementing the Sino-foreign Equity Joint Venture Enterprises Law (《中華人民共和國中外合資經營企業法實施條例》), Provisional Regulations on the Duration of Sino-foreign Equity Joint Venture Enterprises Law (《中外合資經營企業合營期限暫行規定》), the Detailed Rules for Implementing the Sino-foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法實施細則》) and the Detailed Rules for the Implementation of Wholly Foreign-owned Enterprises Law of the PRC (《中華人民共和國外資企業法實施細則》) and further refined the provisions of the Foreign Investment Law to ensure the effective implementation of the Foreign Investment Law. According to the Implementation Rules, in the event of any discrepancy between the Foreign Investment Law, the Implementation Rules and the relevant provisions on foreign investment promulgated prior to 1 January 2020, the Foreign Investment Law and the Implementation Rules shall prevail.

The Foreign Investment Law regulates the investment activities of foreign natural persons, enterprises or other organisations directly or indirectly within China. Investment activities include setting up foreign-invested enterprises, acquiring shares, equities, property shares or other similar rights and interests of enterprises in China, investing in new projects in China and other investment prescribed by laws, administrative regulations or specified by the State Council. According to the Foreign Investment Law,

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the PRC government offers the management systems of pre-establishment national treatment and negative list for foreign investment according to which the treatment given to foreign investors and their investments during the investment access stage shall be no less favourable to that given to their domestic counterparts, and the State shall give national treatment to foreign investment outside of the negative list (as defined below) where special administrative measures for the access of foreign investment in specific fields is specified. The state will take measures to prompt foreign investment such as ensuring fair competition for foreign-invested enterprises to participate in government procurement activities, and protection of intellectual property rights of foreign investment. Besides, the State shall protect foreign investors' investment, earnings and other legitimate rights and interests, such as free remittance of capital contribution, profits, capital gains, assets disposal income, intellectual property licence fees, legally-obtained damages or compensation, liquidation proceeds, etc. It is also provided that forms of organisation, organisation structures and activities of foreign-invested enterprises shall be governed by the provisions of the Company Law (《中華人民共和國公司法》) and the Partnership Enterprise Law (《中華人民共和國合夥企業法》). Foreign-invested enterprises established before the effectiveness of the Foreign Investment Law may keep their original forms of business organisations for five years after 1 January 2020.

On 30 December 2019, the Ministry of Commerce (the “**MOFCOM**”) and the State Administration for Market Regulation (the “**SAMR**”) jointly issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect on 1 January 2020 and replaced the Interim Measures for the Recordation Administration of the Formation and Modification of Foreign-Funded Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Pursuant to the Measures for the Reporting of Foreign Investment Information, foreign investors or foreign-invested enterprises shall submit their investment information to the competent commerce authorities through the enterprise registration system and the National Enterprise Credit Information Publicity System(國家企業信用資訊公示系統).

According to Provisions on Guiding the Orientation of Foreign Investment (《指導外商投資方向規定》), which was promulgated by the State Council on 11 February 2002, and came into effect on 1 April 2002, foreign investment projects shall be classified into four categories: encouraged, permitted, restricted and prohibited. Encouraged, restricted and prohibited foreign investment projects shall be listed in the Catalogue of Industries for Encouraging Foreign Investment (《鼓勵外商投資產業目錄》) and Special Administrative Measures (Negative List) for the Access of Foreign Investment (《外商投資准入特別管理措施(負面清單)》) (the “**Negative List**”), while foreign investment projects that do not fall within the encouraged, restricted and prohibited categories shall be classified as belonging to permitted foreign investment projects.

The “Negative List” was promulgated by the National Development and Reform Commission (the “**NDRC**”) and the MOFCOM on 27 December 2021, and became effective on 1 January 2022, and set out the “prohibited” and “restricted” industries for foreign investment. Investing in an industry that falls within the restricted category of the Negative List requires the permit granted by competent authorities. According to the Negative List, industries such as Value-Added Telecommunication Services (excluding

## REGULATORY OVERVIEW

e-commerce, domestic multi-party communications services, store-and-forward services, and contact centre services) fall into restricted category, where the shareholding percentage of the foreign investors in the joint venture enterprises shall not exceed 50%.

Article 6 of the Interpretation Note of the 2021 Negative List (“**Article 6**”) provides that “where a domestic enterprise engaged in the business in the prohibited areas of the Negative List on Access to Foreign Investment seeks to issue and list its shares overseas (“**Overseas Issuance and Listing by a Domestic Enterprise under 2021 Negative List**”), it shall complete the examination process and obtain approval of the relevant competent authorities of the State, the foreign investor shall not participate in the operation and management of the enterprise, and its shareholding percentage shall be subject to the relevant provisions on the administration of domestic securities investment by foreign investors.”

At a press conference held on 18 January 2022, the NDRC clarified that the approval requirement of Article 6 of the 2021 Negative List would only apply to direct overseas offerings (i.e. H-shares listing) by PRC domestic companies engaging in foreign-prohibited businesses, and that the 2021 Negative List supports domestic companies to choose international and domestic markets for financing in accordance with the law. Based on the foregoing clarifications by the NDRC, Our PRC Legal Advisor is of the view that the Global Offering constitutes an indirect overseas offering by a PRC domestic company, which would not be subject to the foregoing approval requirement and the 2021 Negative List would neither have a material adverse effect on the Group’s listing nor prohibit our future fund-raising activities as of the date of this prospectus.

### REGULATIONS RELATING TO VALUE-ADDED TELECOMMUNICATION SERVICES

#### Licences for value-added telecommunication services

Telecommunications Regulation of the PRC (《中華人民共和國電信條例》) (the “**Telecommunication Regulation**”), promulgated by the State Council on 25 September 2000, and last amended on 6 February 2016, provides a regulatory framework for telecommunication services providers in the PRC and divided telecommunication services business into two categories: basic telecommunication business and value-added telecommunication business.

According to the Catalogue of Telecommunication Business (《電信業務分類目錄》), attached to the Telecommunication Regulation which was promulgated by the Ministry of Information Industry of the PRC (the “**MII**”, which is the predecessor of the MIIT) on 21 February 2003 and last amended on 6 June 2019, information services refer to the information services provided for users through the public communication network or the internet by relying on the information collection, development, processing and information platform construction.

Measures for the Administration of Telecommunication Business Licensing (《電信業務經營許可管理辦法》), promulgated by the MIIT on 1 March 2009 and last amended on 3 July 2017, set forth more specific provisions regarding the types of licences required to operate value-added telecommunication services, the qualifications and procedures for

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obtaining such licences and the administration and supervision of such licences. Under these measures, a commercial provider of telecommunication business shall obtain a permit business issued by the telecommunication administrative authorities as per the law. Otherwise, such operator might be subject to sanctions including but not limited to corrective orders and fines.

According to the Administrative Measures for Internet Information Services (《互聯網信息服務管理辦法》), which was promulgated by the State Council on 25 September 2000, and amended on 8 January 2011, internet information services can be classified into two categories, services of a commercial nature and services of a non-commercial nature. Commercial internet-based information services refer to compensatory services which provide information to or create web pages for online users through the internet. Non-commercial internet-based information services refer to non-compensatory services which supply, through the internet, to online users information which is open to and shared by the general public. Providing commercial internet information service shall be subject to internet content provider licences (the “ICP Licence”). Failing which, service providers may be subject to sanctions including corrective orders, fines or closing of websites from the competent administration authority. Besides, the said Administrative Measures and other relevant measures also ban internet activities that constitute publication of any content that, among others, propagates obscenity, pornography, gambling and violence, incites the commission of crimes or infringes upon the lawful rights and interests of third parties. Under certain circumstances, related authorities may order ICP Licence holders violating such content restrictions to correct those violations and revoke their ICP Licence under serious conditions.

MIIT issued the Interim Measures for the Supervision and Administration of Telecom Service Quality (《電信服務質量監督管理暫行辦法》) on 11 January 2001, as amended on 23 September 2014, which apply to the supervision and administration of the licenced telecommunication network operators within the territory of the PRC. According to which, MIIT supervises and administers the quality of the telecommunication service provided by telecommunication service providers pursuant to applicable laws and regulations. Where a telecommunication network operator violates the telecom service standards and injures the lawful rights and interests of the users, such telecommunication network operator may be subject to a rectification order, a warning or fines ranging from RMB500 to RMB10,000. Measures for Management of Telecommunication Network Code Number (《電信網碼號資源管理辦法》) was issued by MIIT on 29 January 2003 and amended on 23 September 2014, according to which, code resources shall be owned by the State, and any telecommunication network information service providers and call centre service providers who need to use telecommunication network code numbers shall be approved by MIIT or its provincial level counterparts to use telecommunication network code numbers to provide relevant services, and the time limit and scope of such approval shall be identical with that of the VAT Licence or other related approval documents obtained by such entity. The approved telecommunication network code numbers of users shall enter into a required agreement with the competent infrastructure telecommunication service operators, and file the required documents with the competent counterparts of MIIT. In addition, no telecommunication network code number user is permitted to assign or lease telecommunication network code number, nor to use beyond the scope or in more than one local network. Any entity using telecommunication network

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code numbers without approval or beyond the authorised scope or time limit or assigning or leasing telecommunication network code number without approval may be subject to correction, confiscation of the illegal income, fine ranging from three to five times the amount of the illegal income (where there is no illegal income, or the illegal income is less than RMB50,000, a fine ranging from RMB100,000 to RMB1 million).

On 8 June 2020, MIIT promulgated the Notice regarding Strengthening the Management of Call Centre Business (《關於加強呼叫中心業務管理的通知》) (the “**Call Centre Business Notice**”), which has further strengthened the management on the admittance, codes, accessing, operation activities and certain other items. According to the Call Centre Business Notice, for a call centre business operator, instant return visits, information consulting and other outbound call services shall only be provided with the consent of users. However, outbound call services without the consent of users shall not be provided for commercial marketing purposes.

### **Foreign investment in value-added telecommunications services**

On 13 July 2006, Ministry of Information Industry released the Circular of the Ministry of Information Industry on Intensifying the Administration of Foreign Investment in Value-added Telecommunication Services (《信息產業部關於加強外商投資經營增值電信業務管理的通知》) (the “**MIIT Notice**”). Pursuant to which, domestic telecommunications enterprises were prohibited to lease, transfer or sell for profits any licence for telecommunication business by any means or in any disguised form, or provide such conditions as resources, places and facilities for any foreign investor engaging in illegal telecommunication operation in any form within the territory of China.

On 27 December 2021, the NDRC and the MOFCOM published the 2021 Negative List. According to the 2021 Negative List, the proportion of foreign investments in an entity engaging in value-added telecommunications business (except for e-commerce, domestic multi-party communications, storage-forwarding, and call centers) shall not exceed 50%.

The Administrative Provisions on the Administration of Foreign-funded Telecommunications Enterprises (《外商投資電信企業管理規定》) was promulgated by the State Council on 11 December 2001 and last amended on 6 February 2016 (the “**2016 Regulations**”). It requires foreign-invested value-added telecommunications enterprises in China to be established as Sino-foreign equity joint ventures with the foreign investors owning no more than 50% of the equity interests of such enterprise. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in and a proven track record of operating value-added telecommunications businesses overseas (the “**Qualification Requirements**”).

On 29 March 2022, the State Council promulgated the Decision of the State Council on Revising or Abolishing Some Administrative Regulations (the “**2022 Decision**”) that took effect from 1 May 2022 made certain significant changes to the 2016 Regulations. The 2022 Decision repeals the Qualification Requirements. As such, the restrictions of Qualification Requirements no longer apply to foreign investors, and foreign investors may be allowed to hold no more than 50% of the equity interests of a company providing value-added telecommunications services.

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However, as of the date of this prospectus, no applicable PRC laws, regulations or rules have provided clear guidance or interpretation about the 2022 Decision. It remains uncertain as to the interpretation and enforcement of the 2022 Decision in practice and relevant regulations by government authorities.

As advised by Our PRC Legal Advisor that (i) there are no clear guidelines, explanations or criteria in respect of the implementation of the 2022 Decision, (ii) it is uncertain when guidelines, interpretations or criteria for the implementation of the 2022 Decision will be promulgated, (iii) based on the current regulatory requirements, the above regulatory changes would not affect the validity and the legality of Group's ICP Licence and SP Licence and have no adverse impact on the Group's business operations.

Our Directors are also of the view that the above regulatory changes would not affect the validity and the legality of Group's ICP Licence and SP Licence and have no adverse impact on our business operations.

As advised by our PRC Legal Advisor, such regulatory development does not invalidate our ICP Licence and SP Licence or require us to modify our Contractual Arrangements according to PRC laws and regulations. As of the Latest Practicable Date, we have not received any inquiry or notice from the competent authorities regarding the validity of our ICP Licence and SP Licence or our Contractual Arrangements as a whole.

### REGULATIONS RELATING TO INFORMATION SECURITY AND PERSONAL INFORMATION PROTECTION

#### Information security

According to Decision of the SCNPC on Preserving Computer Network Security (《全國人民代表大會常務委員會關於維護互聯網安全的決定》) adopted on 28 December 2000, and amended on 27 August 2009, anyone commit crimes through internet, such as spreading computer viruses to attack the computer system and the communications network, making use of the internet to spread rumors, libels to split the country and undermine unification of the State, infringing on citizens' freedom and privacy of correspondence, shall be subject to criminal responsibility.

On 13 December 2005, the Ministry of Public Security issued the Provisions on the Technical Measures for the Protection of the Security of the Internet (《互聯網安全保護技術措施規定》), which took effect on 1 March 2006. These regulations require internet service providers to take proper measures including anti-virus, data back-up and other related measures, and to keep records of certain information about their users for at least 60 days.

On 22 June 2007, the Ministry of Public Security, State Secrecy Bureau, State Cryptography Administration and the Information Office of the State Council jointly promulgated the Administrative Measures for the Multi-level Protection of Information Security (《信息安全等級保護管理辦法》), under which the security protection grade of an information system may be classified into five grades. Companies operating and using information systems shall protect the information systems and any system equal to or above level II as determined in accordance with these measures, a record-filing with the competent authority is required.

On 7 November 2016, the SCNPC promulgated the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》) (the "Cyber Security Law"), which became effective on 1

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June 2017, and stipulated that network operators shall comply with laws and regulations and fulfil their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures to safeguard the safe and stable operation of the networks.

On 15 September 2018, the Ministry of Public Security issued the Provisions on Internet Security Supervision and Inspection by Public Security Organs (《公安機關互聯網安全監督檢查規定》) (the “**Inspection Regulations**”) which took effect on 1 November 2018. Pursuant to the Inspection Regulations, public security authorities shall conduct supervision and inspection on the network operators that provide the following services: (1) internet connection, internet data centres, content distributions and domain name services; (2) internet information services; (3) public internet access services; and (4) other internet services. The inspection may relate to whether the network operators have fulfilled the cyber security obligations under the Cyber Security Law and other applicable laws and regulations, such as to formulate and implement cybersecurity management systems and operational procedures, determine the person responsible for cybersecurity, and to take technical measures to record and retain user registration information and online log information etc.

On 30 July 2021, the State Council promulgated the Regulations for the Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), which became effective on 1 September 2021, referring “critical information infrastructures” as important network facilities and information systems in important industries including public communications and information services, as well as those that may seriously endanger national security, national economy, people’s livelihood, or public interests in the event of damage, loss of function, or data breach. Pursuant to the Regulations for the Security Protection of Critical Information Infrastructure, the relevant government authorities are responsible for stipulating rules for the identification of critical information infrastructures with reference to several factors set forth therein and further identifying the critical information infrastructure in the related industries in accordance with such rules. The relevant authorities must also notify operators of the determination as to whether they are categorized as critical information infrastructure operators. On 14 November 2021, the Cyberspace Administration of China 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)》)), providing that data processors conducting the following activities must apply for cybersecurity review: (i) merger, reorganization, or division of internet platform operators that have acquired a large number of data resources related to national security, economic development, or public interests affects or may affect national security; (ii) a foreign listing by data processors processing over one million users’ personal information; (iii) listing in Hong Kong that affects or may affect national security; or (iv) other data processing activities that affect or may affect national security.

### **Personal information protection**

The Civil Code of the PRC (《中華人民共和國民法典》) that was issued on 28 May 2020, and took effect on 1 January 2021, provides that a natural person’s personal information shall be protected by the law. Any organisation or individual shall legally obtain the personal information of others when necessary and ensure the safety of such personal information, and shall not illegally collect, use, process or transmit the personal information of others, or illegally buy or sell, provide or make public the personal information of others.

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Cyber Security Law (《中華人民共和國網絡安全法》) which was issued on 7 November 2016 and took effect on 1 June 2017 also sets forth the principle of protecting personal information collected through internet, stipulating that network operators shall follow the principles of legality, rightfulness and necessity in collecting and using personal information, explicitly indicate the purposes, means and scope of collecting and using information, and obtain the consent of the persons whose information is collected. According to Decision of the SCNPC on Strengthening Information Protection on Networks (《全國人民代表大會常務委員會關於加強網絡信息保護的決定》) adopted on 28 December 2012, the state protects electronic information by which individual citizens can be identified and which involves the individual privacy of citizens. All organisations and individuals shall not obtain electronic personal information of citizens by theft or any other illegal means and shall not sell or illegally provide others with electronic personal information of citizens.

On 29 December 2011 the MIIT issued the Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), which was effective since 15 March 2012, and sets forth that an internet information service provider shall not collect any personal information on a user or provide any such information to third parties without the user's consent. It must expressly inform the user of the method, content and purpose of the collection and processing of such user's personal information and shall only collect information to the extent necessary to provide its services. An internet information service provider is also required to properly maintain users' personal information, and in case of any leak or likely leak of such information, it must take immediate remedial measures and, in the event of a serious leak, report to the telecommunication regulatory authority immediately.

On 16 July 2013, the MIIT promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》), which took effect on 1 September 2013, to regulate the collection, use, disclosure and security of users' personal information like users' name, date of birth, identity card number, address, telephone number, account number, passwords and other information with which the identity of the user can be distinguished independently or in combination with other information, as collected by telecommunication service operators and internet information service providers in the process of providing services. Specifically, i) the users' personal information shall not be collected without prior consent; ii) the personal information shall not be used for any other purpose other than providing service; iii) the personal information shall be kept strictly confidential; and iv) a series of detail measures shall be taken to prevent any divulge, damage, tamper or loss of personal information of users.

On 8 May 2017, the Supreme People's Court and the Supreme People's Procuratorate released Interpretation on Several Issues Concerning the Application of Law in the Handling of Criminal Cases of Infringing on Citizens' Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), took effect on 1 June 2017, which clarified several concepts regarding the crime of "infringement of citizens' personal information" stipulated by Article 253A of the Criminal Law of the PRC (《中華人民共和國刑法》) (the "Criminal Law"), including "citizen's personal information", "providing citizen's personal information" and "illegally obtaining citizen's personal information by other methods."



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On 20 August 2021, the SCNPC promulgated the Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》) (the “**Personal Information Protection Law**”), which took effect on 1 November 2021, which sets forth the detailed rules on handling personal information and the ways of processing personal information, the establishment of rules for processing personal information, the individual's rights and the processor's obligations in the processing of personal information and the relevant legal liabilities arising from the violation of the Personal Information Protection Law.

The Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》) has come into effect on 1 September 2021, which provides the requirements on establishing a sound data security management system when business operators carry out data processing activities and the relevant legal liabilities accruing from failure to perform the data security protection obligations stipulated by the requirements thereof.

### **Unauthorised calls and text messages**

On 19 May 2015, MIIT issued the Provisions on the Administration of Communications Short Message Services (《通信短信息服務管理規定》), which regulates that short message service providers and short message content providers may not send commercial short messages to users without the latter's consent or request, or shall stop sending such short messages to users when the latter clearly present their refusal after their consent. Where short message service providers or short message content providers request users to consent to receive commercial short messages, they shall explain the types, frequencies and time limit of the commercial short messages to be sent and other information. Where no reply is given by a user, it shall be deemed that the user refuses to receive the short message. Where any users explicitly refuse to receive commercial short messages or do not give replies, the short message service providers or short message content providers may not send to them the short messages that contain the same or similar contents once again. As to the port-based commercial short messages sent through their telecommunication networks, basic telecommunication business operators shall guarantee that the relevant users have consented or requested to receive the relevant short messages.

The Work Plans for Promoting the Special Campaign Program for Comprehensive Action against Unauthorised Calls (《關於推進綜合整治騷擾電話專項行動的工作方案》) was issued by MIIT and came into effect on 27 October 2018, pursuant to which, enterprises including basic telecommunication service providers and call centre service providers shall coordinate with the MIIT and its local authorities to control and rectify unauthorised calls, and call centre service provider shall strictly control the channels for unauthorised calls, including but not limit to (1) establish forbidden call lists so that the telemarketing calls could not reach those end-users who have explicitly refused to be reached by telemarketing calls of a particular industry or business; (2) strictly control the timing and frequency of active call-out and reserve the record of such call within a certain period of time (generally not less than 30 days); and (3) improve technical abilities regarding prevention and monitoring of unauthorised calls and risk precaution.

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On 31 August 2020, the MIIT promulgated the Administrative Provisions on Short Messaging and Voice Call Services (Draft for Comment) (《通信短信息和語音呼叫服務管理規定(徵求意見稿)》), which add requirements for voice call services and further clarify the service specifications of short message services and voice call services, on the basis of the Short Message Provisions. It requires that telemarketing calls shall not be made if users specifically refuse so.

### App provisions

Provisions on the Administration of Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》) (the “**App Provisions**”) promulgated by the Cyberspace Administration of China (the “**CAC**”) on 28 June 2016, and became effective on 1 August 2016, regulated the App information service providers and the App Store service providers. Under the App Provisions, the App information service providers shall acquire relevant qualifications required by laws and regulations and implement the information security management responsibilities strictly and fulfil their obligations as follows: (i) shall authenticate the identity information of the registered users including their mobile telephone number and other identity information under the principle that mandatory real name registration at the back-office end, and voluntary real name display at the front-office end; (ii) shall establish and perfect the mechanism for the protection of users’ information, and follow the principle of legality, rightfulness and necessity, indicate expressly the purpose, method and scope of collection and use and obtain the consent of users while collecting and using users’ personal information; (iii) shall establish and perfect the mechanism for the examination and management of information content, and in terms of any information content released that violates laws or regulations, take such measures as warning, restricting the functions, suspending the update and closing the accounts as the case may be, keep relevant records and report the same to relevant competent authorities; (iv) shall safeguard users’ right to know and to make choices when users are installing or using such applications, and shall neither start such functions as collecting the information of users’ positions, accessing users’ contacts, turning on the camera and recording the sound, or any other function irrelevant to the services, nor forcefully install any other irrelevant applications without prior consent of users when noticed expressly; (v) shall respect and protect the intellectual properties and shall neither produce nor release any application that infringes others’ intellectual properties; and (vi) shall record the users’ log information and keep the same for 60 days.

On 16 December 2016, the MIIT promulgated the Interim Administrative Provisions on the Pre-Installation and Distribution of Mobile Smart Terminal Application Software (《移動智能終端應用軟件預置和分發管理暫行規定》) (the “**Mobile Application Interim Provisions**”), which took effect on 1 July 2017. The Mobile Application Interim Provisions require, among others, that internet information services providers must ensure that a mobile application, as well as its ancillary resource files, configuration files and user data can be uninstalled by a user on a convenient basis, unless it is a basic functional software, which refers to a software that supports the normal functioning of hardware and operating system of a mobile smart device.

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According to the Announcement of Launching Special Crackdown against Illegal Collection and Use of Personal Information by Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》) issued and took effect on 23 January 2019, the Guideline to the Self-Assessment of Illegal Collection and Use of Personal Information by Apps (《App違法違規收集使用個人信息自評估指南》) issued and took effect on 3 March 2019, and the Methods for Identifying Unlawful Acts of Applications (Apps) to Collect and Use Personal Information (《App違法違規收集使用個人信息行為認定方法》) issued and took effect on 28 November 2019, App operators shall follow the principle of legality, rightfulness and necessity for collection of personal information. Only personal information related to the service provided may be collected, and no personal information may be collected without the users' express consent.

### Cloud computing business

On 6 January 2015, the State Council issued the Opinions of the State Council on Promoting the Creative Development of Cloud Computing and Cultivating New Business Types in the Information Industry (《國務院關於促進雲計算創新發展及培育信息產業新業態的意見》), which provided the principles on promoting the development of cloud computing and the innovation of cloud computing industry.

On 24 November 2016, MIIT issued the Announcement on Seeking Comments on the Notice on Regulating Business Activities in the Cloud Services Market (《關於規範雲服務市場經營行為的通知(公開徵求意見稿)》) (the “**Draft Cloud Business Announcement**”). The Draft Cloud Business Announcement provides that, to provide cloud services within the territory of China, business operators shall meet relevant requirements on capital, staff, premises and facilities, pass the relevant technical evaluation, and obtain the corresponding business licence for value-added telecommunication services in accordance with the Administrative Measures on Telecommunication Business Operating Licence (《電信業務經營許可管理辦法》) and the Circular of the MIIT of the People's Republic of China on Further Regulating the Market Access for Businesses of Internet Data Centres and Internet Services Providers (《中華人民共和國工信部關於進一步規範因特網數據中心業務和因特網接入服務業務市場準入的通知》). Moreover, cloud service operators shall build a cloud service platform within the territory of the PRC. If the related servers need to connect with internet sites outside of the PRC, the data shall be routed through the international internet gateways approved by the MIIT, and the cloud service operators shall not build or use other channels via leased lines or VPN to connect with foreign sites. No formal regulations in connection with the Draft Cloud Business Announcement is promulgated to date.

### LAWS AND REGULATIONS IN RELATION TO DIVIDEND DISTRIBUTION

The Company Law provides the principal regulations regarding dividend distributions. Dividend distribution by WFOE is further governed by the Foreign Investment Law and the Implementation Rules.

Under these laws and regulations, PRC companies, including wholly foreign-owned enterprises (“WFOEs”) may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting principles. In addition, PRC companies,

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including WFOEs are required to set aside each year at least 10% of their after-tax profit based on PRC accounting principles to their statutory general reserves funds until the cumulative amount of such reserve fund reaches 50.0% of their registered capital. These reserves are not distributable as cash dividends. Furthermore, WFOEs in the PRC may also be required to set aside funds for employee bonus and welfare, at the discretion of such WFOEs and as stipulated in their articles of association. These reserves or funds are not distributable as dividends.

### LAWS AND REGULATIONS RELATING TO TAXATION

#### Enterprise income tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “EIT Law”) and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (Revised in 2019) (《中華人民共和國企業所得稅法實施條例》(2019修訂)) (the “EIT Law Implementation Rules”), enterprises and other organisations with income shall pay enterprise income tax. Under the EIT Law, enterprises are categorised into resident and non-resident enterprises. Resident enterprises, which are established in China, or which is established under the law of a foreign country (region) but has de facto management body inside China, are subject to the uniform 25.0% enterprise income tax rate for their global income. It is also provided that the enterprise income tax shall be levied at the reduced rate of 20.0% for qualified “small and thin-profit enterprises” and the enterprise income tax shall be levied at the reduced rate of 15.0% for “new and high technology enterprises” in key industries supported by the PRC government. In certain circumstances, the enterprise income tax may be exempted or reduced, or preferential enterprise income tax may be granted.

Pursuant to the Measures for the Administration of the Accreditation of High-Tech Enterprises (Revised in 2016) (《高新技術企業認定管理辦法(2016修訂)》), which was promulgated by the Ministry of Science and Technology, Ministry of Finance (the “MOF”) and the STA on 29 January 2016 and came into effect from 1 January 2016, high and new technology enterprises, which are accredited pursuant to this Measure, may apply for entitlement to the tax incentive policies pursuant to the relevant provisions of the EIT Law and EIT Law Implementation Rules. According to EIT Law and EIT Law Implementation Rules, the income tax for high and new technology enterprises supported by the State will be at a reduced tax rate of 15%.

According to the Notice of the State Council on Issuing Several Policies on Encouraging the Development of the Software and Integrated Circuit Industries (《國務院關於印發鼓勵軟件產業和集成電路產業發展若干政策的通知》) which was issued on 24 June 2000, and Notice of the State Council on Issuing Several Policies on Further Encouraging the Development of the Software and Integrated Circuit Industries (《國務院關於印發進一步鼓勵軟件產業和集成電路產業發展若干政策的通知》) which was issued on 28 January 2011, software enterprises enjoyed preferential policies on enterprise income tax and value-added tax.

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Notice of the MOF, STA, NDRC and MIIT on Issues concerning Preferential Enterprise Income Tax Policies for the Software and Integrated Circuit Industries (Cai shui No. 49 [2016]) (《財政部、國家稅務總局、發展改革委、工業和信息化部關於軟件和集成電路產業企業所得稅優惠政策有關問題的通知》(財稅[2016]49號)) which was issued on 4 May 2016 and amended on 28 March 2018 and Measures on Handling of Enterprise Income Tax Incentives (Revision 2018) (Notice of STA No. 23 [2018]) (《企業所得稅優惠政策事項辦理辦法(2018修訂)》(國家稅務總局公告2018年第23號)), which was issued on 25 April 2018, stipulated that the enjoyment of preferences by enterprises shall be handled in the manner of “independent judgment, declaration for enjoyment, and retention of relevant materials for future reference”.

### Dividend tax

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

According to the Agreement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) which was issued on 21 August 2006, the 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident company if such Hong Kong resident company directly holds at least 25% of the equity interests in the PRC company, otherwise the 10% withholding tax rate applies.

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

Pursuant to the Administrative Measures for Convention Treatment for Non-resident Taxpayers (《非居民納稅人享受協定待遇管理辦法》) promulgated by the STA on 14 October 2019 and became effective on 1 January 2020, non-resident taxpayers claiming treaty benefits shall be handled in accordance with the principles of “self-assessment, claiming benefits, retention of the relevant materials for future inspection.” Where a non-resident taxpayer self-assesses and concludes that it satisfies the

criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through a withholding agent, simultaneously gather and retain the relevant materials pursuant to the provisions of these Measures for future inspection, and subject to subsequent administration by tax authorities.

### **Value-added tax**

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

Pursuant to the Interim Regulation of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) promulgated on 13 December 1993 and last amended on 19 November 2017, all entities and individuals in the PRC engaging in sale of goods or labour services of processing, repair or replacement, sale of services, intangible assets, or immovables, or import of goods shall pay value-added tax for the added value derived from the process, manufacture, sale or services are taxpayers of value-added tax (“VAT”), and shall pay VAT. The VAT tax rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the VAT levy rate applicable to the small-scale taxpayers is 3%.

According to the MOF and STA on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) which took effect on 1 May 2018, where a taxpayer engages in a taxable sales activity for the VAT purpose or imports goods, the previous applicable 17% and 11% tax rates are adjusted to 16% and 10% respectively, and are further adjusted to be 13% and 9% respectively in accordance with the Announcement of the MOF, the STA and the GAC on Deepening the Policies Related to Value-Added Tax Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》) which took effect on 1 April 2019.

Notice of the MOF and STA on VAT Policies for Software Products (《財政部、國家稅務總局關於軟件產品增值稅政策的通知》) provides that if general VAT taxpayers sell self-developed and produced software products, after VAT has been collected at a tax rate of 17%, the refund-upon-collection policy shall be applied to the part of actual VAT burden exceeding 3%.

### **Urban maintenance and construction tax and education surcharges**

According to 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》) promulgated by the SCNPC on 11 August 2020 and took effective on 1 September 2021, a taxpayer of consumption tax, value-added tax or business tax is required to pay a municipal maintenance tax calculated on the basis of consumption tax, value-added tax and business tax. The tax rate is 7% for a

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taxpayer in an urban area, 5.0% for a taxpayer in a county or a town, and 1% for a taxpayer not in any urban area or county or town.

The Interim Provisions on the Collection of Educational Surcharges (《徵收教育費附加的暫行規定》) issued on 28 April 1986 and last amended on 8 January 2011 provided that taxpayers of consumption tax, value-added tax and business tax shall pay educational surcharges. Educational surcharges are evaluated on the amount of value-added tax, business tax or consumption tax actually paid by entities and individuals, collected at the rate of 3%, and paid simultaneously with value-added tax, business tax or consumption tax. It is also stipulated that enterprises' educational surcharges are to be paid with sales income (or business income).

### LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

According to the Regulation of the PRC on Foreign Exchange Administration (《中華人民共和國外匯管理條例》) (the “**Foreign Exchange Regulation**”) enacted by the State Council on 29 January 1996, and last amended on 5 August 2008, domestic institutions and individuals can transfer their foreign exchange income back into the PRC territory or deposited overseas. Before making direct investment, issuing or trading negotiable securities or derivative products overseas, domestic institutions or individuals shall comply with the registration formalities at the foreign exchange administrative department of the State Council. If the relevant state provisions require them to get the approval of the competent department or archive the issue with the competent department, they shall do so before proceeding to fulfil the registration formalities.

The Circular of the People's Bank of China on Issuing the Provisions on the Settlement and Sale of and Payment in Foreign Exchange (《結匯、售匯及付匯管理規定》), which took effect on 1 July 1996, a foreign invested enterprise is allowed to handle the settlement and sale of and payment in foreign exchange for capital account items after submitting valid commercial documents and getting approval from the State Administration of Foreign Exchange of the PRC (the “**SAFE**”). The Circular of the SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**Circular 13**”), which took effect on 1 June 2015, simplifies the procedures of foreign exchange administration applicable to direct investment. Pursuant to the Circular 13, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment.

The Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprise (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “**Circular 19**”), was promulgated by SAFE on 30 March 2015 and came into effect on 1 June 2015, some of the provisions were abolished on 30 December 2019. Pursuant to Circular 19, the foreign exchange capital of the foreign-invested enterprises (“**FIEs**”) may be subject to either the discretionary foreign exchange settlement or the payment-based exchange settlement system. Under the discretionary settlement of foreign exchange capital of FIEs, FIEs in the PRC may, according to their business needs, settle with a bank the portion of foreign exchange capital in their capital account for which the local foreign exchange

## REGULATORY OVERVIEW

authority has confirmed capital contribution rights and interests, and the portion allowed to be settled by an FIE is tentatively 100.0%. If Circular 19 is inconsistent with the provisions of Circular 16 below, the provisions of Circular 16 shall prevail.

The Notice of the State Administration of Foreign Exchange on Reforming and Regulating the Policies for the Administration of Foreign Exchange Settlement under the Capital Account (《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》) (the “**Circular 16**”) was promulgated by SAFE on 9 June 2016. Circular 16 unifies the discretionary foreign exchange settlement for all the domestic institutions, including FIEs, but excluding financial institutions. The discretionary foreign exchange settlement refers to the foreign exchange receipts under the capital account which has been confirmed by the relevant polices subject to the discretionary foreign exchange settlement (including foreign exchange capital, foreign loans and funds remitted from the proceeds from the overseas listing) can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of discretionary foreign exchange settlement of the foreign exchange capital is temporarily determined as 100%. Furthermore, Circular 16 stipulates that the use of foreign exchange receipts of capital accounts by domestic institutions, including FIEs, shall follow the principles of authenticity and self-use within the business scope of enterprises.

In accordance with 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 (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**Circular No. 37**”), a “special purpose vehicle” means an overseas enterprise directly established or indirectly controlled by a domestic resident (including domestic institutions and domestic individual residents) for the purpose of engaging in investment and financing with the domestic enterprise assets or interests he legally holds, or with the overseas assets or interests he legally holds. Domestic residents establishing or taking control of a special purpose vehicle abroad which makes round-trip investments in the PRC are required to file foreign exchange registration with the local foreign exchange bureau. According to the Direct Investment-related Foreign Exchange Policies, the initial foreign exchange registration for establishing or taking control of a special purpose vehicle by domestic residents can be filed with a qualified bank, instead of the local foreign exchange bureau.

SAFE promulgated the Circular of the SAFE on Issues concerning the Administration of Foreign Exchange Used for Domestic Individuals’ Participation in Equity Incentive Plans of Companies Listed Overseas (《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》) (the “**Circular No. 7**”) on 15 February 2012, replacing the previous rules issued by SAFE in March 2007. Under the Circular No. 7 and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants in a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of the participants. In addition, the PRC



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agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan or the PRC agent or any other material changes. The PRC agent must apply to SAFE or its local branches on behalf of the PRC residents who have the right to exercise the employee share options for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents.

### LAWS AND REGULATIONS RELATING TO M&A

According to the Provisions on Merger 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"), promulgated by the MOFCOM, the China Securities Regulatory Commission (the "CSRC"), the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), the STA, the State Administration for Industry and Commerce and the SAFE on 8 August 2006, which came into force on 8 September 2006 and was amended on 22 June 2009, foreign investors' merger and acquisition of domestic enterprises shall comply with the requirements stipulated by laws, administrative regulations and rules of the PRC on investor qualifications and industry, land and environmental protection policies. Merger and acquisition of domestic enterprises by foreign investors for incorporation of foreign investment enterprises shall also be subject to MOFCOM's approval.

### LAWS AND REGULATIONS RELATING TO COMPETITION AND ANTI-MONOPOLY

#### Anti-monopoly Law

According to the Anti-monopoly Law of the PRC (《中華人民共和國反壟斷法》) (the "Anti-monopoly Law"), which was promulgated by SCNPC on 30 August 2007 and took effect on 1 August 2008, prohibits monopolistic conduct, such as entering into monopoly agreements, abuse of dominant market position and concentration of undertakings that have the effect of eliminating or restricting competition. Competing business operators may not enter into monopoly agreements that eliminate or restrict competition, by (i) joint boycotting transactions, (ii) fixing or changing the price of commodities, (iii) limiting the output of commodities, (iv) allocating the markets for sales or purchases of raw materials, (v) limiting the purchase of new technology and new facilities or the development of new products and new technology, (vi) fixing the price of commodities or restricting the lowest price of commodities for resale to third parties, or (vii) other acts stipulated by laws or identified by relevant governmental authorities, unless such agreement can satisfy the limited exemptions under the Anti-monopoly Law. Sanctions for violations include an order to cease the relevant activities, and confiscation of illegal gains and fines (from 1% to 10% of sales revenue from the previous year, or RMB500,000 if the intended monopoly agreement has not been performed).

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Besides, a business operator with a dominant market position may not abuse its dominant market position by (i) selling commodities at unfairly high prices or buying commodities at unfairly low prices, (ii) selling products at prices below cost without any justifiable cause, (iii) refusing to trade with a trading party without any justifiable cause, (iv) requiring a counterparty to trade exclusively with it or undertakings appointing by it without legitimate reasons, (v) tie-in sales or imposing other unreasonable trading conditions without justifiable cause, (vi) applying differentiated prices or other transaction terms to equivalent counterparties; or other acts identifies by relevant governmental authority. Sanctions for violation of the prohibition on the abuse of dominant market position include an order to cease the relevant activities, confiscation of the illegal gains and fines (from 1.0% to 10.0% of sales revenue from the previous year).

### **Anti-unfair Competition Law**

Competition among business operators is generally governed by the Anti-unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) (the “**Anti-unfair Competition Law**”), which was promulgated by SCNPC on 2 September 1993 and was last amended on 23 April 2019. According to the Anti-unfair Competition Law, when trading on the market, operators must abide by the principles of voluntariness, equality, fairness and honesty and observe laws and business ethics. Acts of operators constitute unfair competition where they contravene the provisions of the Anti-unfair Competition Law and disturb market competition with a result of damaging the lawful rights and interests of other operators or consumers. When the lawful rights and interests of an operator are damaged by the acts of unfair competition, it may institute proceedings in a people’s court. In comparison, where an operator commits unfair competition in contravention of the provisions of the Anti-unfair Competition Law and causes damage to another operator, it will be responsible for compensating for the damages. Where the losses suffered by the injured operator are difficult to calculate, the amount of damages will be the profit gained by the infringer through the infringing act. If an operator seriously infringes a trade secret in bad faith, the amount of compensation the operator will undertake will be up to not more than five times the amount of such damages. The infringer will also bear all reasonable costs paid by the injured operator to prevent the infringement.

## **LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS**

### **Patent**

Patents in the PRC are principally protected under the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC in 1984 and then respectively amended in 1992, 2000, 2008 and 2020 and its implementation rules. The latest applicable Patent Law was promulgated on 17 October 2020 and have become effective on 1 June 2021. After the grant of the patent right for an invention or utility model, except where otherwise permitted under the law, no entity or individual may, without the authorisation of the patent owner, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, or use, offer to sell, sell or import any product which is a direct result of the use of the patented process, for production or business purposes. After a patent right is granted for a design, no entity or individual

shall, without the permission of the patent owner, exploit the patent, that is, for production or business purposes, manufacture, offer to sell, sell, or import any product containing the patented design. Where the infringement of patent is decided, the infringer shall undertake to cease the infringement, take remedial action, and pay damages, etc. The protection period is 20 years for an invention patent and 10 years for a utility model patent, and 15 years for a design patent, commencing from their respective application dates.

### Copyright

The Copyright Law of the PRC (《中華人民共和國著作權法》), which was issued by the SCNPC on 7 September 1990, and last amended on 11 November 2020, specifies that works of Chinese citizens, legal entities or unincorporated organisations, including literature, art, natural sciences, social sciences, engineering technologies and computer software created in writing or oral or other forms, whether published or not, all enjoy the copyright. Copyright holders can enjoy multiple rights, including but not limited to the right of publication, the right of authorship and the right of reproduction.

The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), which was issued by the National Copyright Administration on 20 February 2002, regulates the registration of software copyright, the exclusive licensing contract and transfer contracts of software copyright. The National Copyright Administration is mainly responsible for the registration and management of national software copyright and recognises the China Copyright Protection Centre as the software registration organisation. The Copyright Protection Centre of China will grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulations on Protection of Computers Software (《計算機軟件保護條例》), which also outline the operational procedures for registration of software copyright, as well as registration of software copyright licence and transfer agreements.

### Trademark

According to the Trademark Law of the PRC (2019 Revision) (《中華人民共和國商標法》(2019修訂)) and the Regulation on the Implementation of the Trademark Law of the PRC (2014 Revision) (《中華人民共和國商標法實施條例》(2014修訂)), entities and individuals who need to acquire the right to exclusively use a trademark on the goods or services thereof in the course of business operations shall submit application to the Trademark Office for trademark registration. The exclusive right to use a registered trademark is limited to the trademark registered and to the goods in respect of which the registration has been made. The period of validity of a registered trademark is 10 years, starting from the date of registration. Trademark registrants can renew the registration within twelve months before the expiry of the period of validity.

### Domain name

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was issued by the MIIT on 24 August 2017, and came into effect on 1 November 2017, MIIT is responsible for managing internet network domain names of China. The “.CN” and the “zhongguo (in Chinese character)” shall be China’s national top-level domains. The principle of “first-to-file” is adopted for domain name services. A domain name registrar shall, in the process of providing domain name registration services, ask the applicant for which the registration is made to provide authentic, accurate and complete identity information on the holder of the domain name, and verify the authenticity and completeness of the domain name registration information.

### LAWS AND REGULATIONS RELATING TO LABOUR AND SOCIAL INSURANCE

#### Labour

According to the Labour Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on 5 July 1994, came into effect on 1 January 1995, and was last amended on 29 December 2018, an employer shall develop and improve its rules and regulations to safeguard the rights of its workers.

According to the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on 29 June 2007, came into effect on 1 January 2008 and was amended on 28 December 2012, and the Implementation Regulations on Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated and became effective on 18 September 2008, employers and employees shall enter into written labour contracts to establish their employment relationship. The labour contracts shall set forth the terms, duties, remunerations, disciplinary rules of the employment and the conditions to terminate the labour contracts. With respect to a circumstance where a labour relationship has already been established but no formal contract has been made, a written labour contracts shall be entered into within one month from the date when the employee begins to work.

#### Social insurance and housing provident fund regulations

According to the Social Insurance Law of the People’s Republic of China (《中華人民共和國社會保險法》), which was promulgated on 28 October 2010 and effective from 1 July 2011, and was subsequently amended on 29 December 2018, and other relevant PRC laws and regulations such as the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), Regulations on Work Injury Insurance (《工傷保險條例》), Regulations on Unemployment Insurance (《失業保險條例》) and Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), the employer shall register with the social insurance authorities and contribute to social insurance plans covering basic pensions insurance, basic medical insurance, maternity insurance, work injury insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees, while work injury insurance and maternity insurance contributions shall be paid only by employers, and employers who failed to promptly contribute social security

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premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; and where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

According to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》), which was taken effected on 3 April 1999, and last amended on 24 March 2019, employers shall undertake to register with the competent administrative centre of housing provident fund (the “**Housing Provident Fund Centre**”) and upon the verification by the Housing Provident Fund Centre, open accounts of housing provident fund for their employees at the relevant bank. Enterprises are also obliged to timely pay and deposit housing provident fund for their employees in full amount.

The employer shall process housing provident fund payment and deposit registrations with the Housing Provident Fund Centre. Companies who violate the above regulations and fail to process housing provident fund payment and deposit registrations or open housing provident fund accounts for their employees shall be ordered by the Housing Provident Fund Centre to complete such procedures within a prescribed time limit, failure of which will result in a fine of not less than RMB10,000 but not more than RMB50,000. When an employer breaches these regulations and fails to pay up housing provident fund contributions in full amount as due, the Housing Provident Fund Centre shall order such employer to pay up within a prescribed time limit. Where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a people’s court for compulsory enforcement.

### LAWS AND REGULATIONS RELATING TO OVERSEAS LISTING

On 24 December 2021, the CSRC, together with other relevant government authorities in the PRC issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》), and the Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《境內企業境外發行上市備案管理辦法(徵求意見稿)》) (“**Draft Listing Regulations**”). The Draft Listing Regulations required that a PRC domestic enterprise seeking to issue and list its shares overseas shall complete the filing procedures and submit the relevant information to CSRC. The period for which the CSRC solicits comments on these Draft Listing Regulations ended on 23 January 2022. The Draft Listing Regulations also proposed a number of regulatory requirements for listing applicants adopting a variable interest entity structure through contractual arrangements. As of the date of this prospectus, the Draft Listing Regulations were in draft form and had not come into effect.

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### LAWS AND REGULATIONS RELATING TO CYBERSECURITY

On January 4, 2022, the Cyberspace Administration of China (“CAC”) jointly with other government authorities released the revised Measures for Cybersecurity Reviews (“Revised Measures”), which took effect on February 15, 2022. Based on Article 7 of the Revised Measures, a network platform operator that has the personal information of more than one million users is required to apply for a cybersecurity review when it seeks to list overseas.

Given the fact that Hong Kong is within the sovereign territory of PRC, it is unlikely that listing in Hong Kong will be considered as “listing overseas”. Besides, according to the Regulations on Network Data Security Management (Draft for Comments, “Draft Regulations”) published on November 14, 2021, the provisions for “listing overseas” and “listing in Hong Kong” are separately stipulated in the second and third subparagraphs of Article 13. Therefore, it is understood that Article 7 of the Revised Measures does not include Hong Kong listings, and we believe, as advised by our PRC Legal Advisers, that we are not required to file an application for cybersecurity review under Article 7.

Our PRC Legal Advisor, the PRC Legal Advisor to the Sole Sponsor and the Sole Sponsor conducted a follow-up telephone consultation with the China Cybersecurity Review Technology and Certification Centre (the “Centre”) on 8 February 2022, during which our Company’s identity was disclosed and the Centre was requested to give a written confirmation on the application of the New Cybersecurity Regulations. While the Centre refused to give any written confirmation regarding the application of the New Cybersecurity Regulations, it confirmed our PRC Legal Advisor’s understanding of the New Cybersecurity Regulations orally and it also agreed that it is not compulsory for our Company to apply for a cybersecurity review under the New Cybersecurity Regulations in relation to our Listing.

### LAWS AND REGULATIONS RELATING TO OVERSEAS DIRECT INVESTMENT

Measures for the Administration of Overseas Investment (《境外投資管理辦法》) was promulgated by the MOFCOM on 6 September 2014, and came into effect on 6 October 2014. As defined by the Measures, overseas investment means that the enterprises legally incorporated in the PRC own the non-financial enterprises or obtain the ownership, control and operation management rights of the existing non-financial enterprises in foreign countries through incorporation, merger and acquisition and other means. If the overseas investments involve sensitive countries and regions or sensitive industries, they shall be subject to the approval of competent authorities. For other overseas investments, they shall be subject to filing administration. Local enterprises shall be filed with the provincial commercial administration authorities where they are located. The qualified enterprises will be put into record and granted with Overseas Investment Certificate for Enterprise by the relevant provincial commercial administration authorities.

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On 26 December 2017, NDRC issued the Administrative Measures for the Overseas Investment of Enterprises (《企業境外投資管理辦法》), which took effect on 1 March 2018. Under the Measures, sensitive overseas investment projects carried out by PRC enterprises either directly or through overseas enterprises under their control shall be approved by NDRC, and non-sensitive overseas investment projects directly carried out by PRC enterprises shall be filed with NDRC or its local branch at provincial level. In the case of the large-amount non-sensitive overseas investment projects with the investment amount of USD300.0 million or above carried out by PRC enterprises through the overseas enterprises under their control, such PRC enterprises shall, before the implementation of the projects, submit a report describing the details about such large-amount non-sensitive projects to NDRC. Where the PRC resident natural persons make overseas investments through overseas enterprises under their control, the Measures shall apply mutatis mutandis. Subsequently on 31 January 2018, NDRC issued the Catalogue of Sensitive Overseas Investment Industry (2018 Version) (《境外投資敏感行業目錄(2018年版)》) effective from 1 March 2018, under which enterprises shall be restricted from making overseas investments in certain industries including but not limited to news media, real estate and hotel.

## HISTORY AND REORGANISATION

### OVERVIEW

Our Group was founded in 2010 when one of our main Consolidated Affiliated Entities, Xuan Wu, was co-founded by, among a few other investors, Mr. Chen, Mr. Huang and Mr. Li. The history of the predecessor of Xuan Wu, Xuanwu Information and Technology, can be traced back to its establishment in 2000 and our founders, Mr. Chen, Mr. Huang and Mr. Li became major shareholders of Xuanwu Information and Technology with their personal funding and contributions. After Xuan Wu was established, the business of Xuanwu Information and Technology was transferred to Xuan Wu.

Prior to founding our Group, our founders had a good mixture of extensive experience in information technology and sales and marketing accumulated from their entrepreneurial experience during college and experience in information technology industries. For details of each of the biographies of Mr. Chen, Mr. Huang and Mr. Li, please refer to the section headed “Directors and Senior Management” in this prospectus.

In preparation for the Global Offering and in order to streamline our corporate structure, we implemented the Reorganisation to consolidate our interests in Xuan Wu. For details of the Reorganisation, please refer to the paragraph headed “Our Reorganisation” in this section.

On 17 December 2015, the shares of Xuan Wu were quoted on the NEEQ and subsequently delisted from the NEEQ on 28 May 2019 by way of voluntary application for delisting.

### OUR MILESTONES

The following table sets forth our key development milestones:

<b>Year</b>	<b>Event</b>
2010	One of our main Consolidated Affiliated Entities, Xuan Wu, was established
2011	We launched universal message platform (UMP) as a Marketing Cloud solution
2012	We launched our cPaaS platform, a communication capabilities cloud platform  We launched our MOS solution, a public cloud-based message operating system as part of our Marketing Cloud solution
2015	We launched our Fast Sales 100, the previous version of our Smart Sales 100, as a Sales Cloud solution



## HISTORY AND REORGANISATION

2018	We launched U-Client 100, a Sales Cloud solution with LTC module
	We launched our cPaaS platform incorporated with AI and DI capabilities
	We launched Service Cloud solutions through acquisition
	Xuan Wu was accredited with “2018 List of Unicorns in Guangzhou — Top Growth Rate Enterprise”
2019	We launched our ICC, an integrated communication centre as part of our Marketing Cloud solution
2020	We launched our Smart Sales 100, the upgraded Sales Cloud solution

Please refer to the paragraph headed “Business — Awards and recognitions” in this prospectus for further details of the awards and recognitions received by our Group.

### PRIOR QUOTATION AND LISTING ON THE NEEQ AND THE DELISTING

In July 2015, the shareholders of Xuan Wu resolved to convert Xuan Wu into a joint stock company as Guangzhou Xuan Wu Wireless Technology Co., Ltd. (廣州市玄武無線科技股份有限公司). On 17 December 2015, the shares of Xuan Wu were quoted on the NEEQ under the stock code of 834968.

Following the continued growth in our scale of business and with a view to tap into capital markets with greater access to international investors and markets, Xuan Wu sought to voluntarily delist its shares from the NEEQ, which the directors of Xuan Wu considered to be commercially sensible and in the interest of the long-term development of Xuan Wu. On 28 March 2019, the shareholders of Xuan Wu passed a shareholders’ resolution approving the application for delisting Xuan Wu’s shares from the NEEQ. On 28 May 2019, the shares of Xuan Wu ceased to be quoted on the NEEQ.

Our Directors considered that international investors are relatively more familiar with our business and the industry in which our Company operates, such that the fair value of our Group can be identified and established by seeking the Listing on the Stock Exchange. Having taken into account our long-term business development plan, financing needs for our further expansion, our Directors considered the Stock Exchange, as an internationally recognised and reputable stock exchange, to be a more appropriate listing venue that provides us with a good platform to access the international equity market.

## HISTORY AND REORGANISATION

Our PRC Legal Advisor is of the view that, during the period of quoting on the NEEQ, Xuan Wu has not been subject to any material regulatory or disciplinary actions by The National Equities Exchange and Quotations Corporation Limited or any material regulatory actions, administration penalties or investigations by the CSRC and its agencies.

Our Directors confirm that, to the best of their knowledge and in respect of our business:

- (a) during the period the shares of Xuan Wu were quoted on the NEEQ, Xuan Wu:
  - (i) did not have any non-compliance in all material respects under the applicable PRC laws and regulations and the NEEQ rules and regulations; and
  - (ii) had not been subject to any material regulatory or disciplinary action by the relevant regulators in connection with the quotation on the NEEQ; and
- (b) there were no other matters in relation to the prior quotation on the NEEQ and the delisting that needs to be brought to the attention of the Stock Exchange or the potential investors of our Company.

Based on the due diligence work conducted by the Sole Sponsor, the Sole Sponsor concurs the above confirmations of the Directors.

### CORPORATE DEVELOPMENT

The following sets forth the corporate history of members of our Group.

#### **Our Company**

Our Company was incorporated on 26 April 2021 in the Cayman Islands as an exempted company with limited liability with an initial authorised share capital of US\$50,000.00 divided into 500,000,000 ordinary shares of US\$0.0001 each.

It is the holding company of our subsidiaries and its principal business activity is investment holding. For details of the changes in the share capital of our Company pursuant to the Reorganisation, please refer to the paragraph headed “Our Reorganisation — The offshore restructuring” in this section. As a result of the Reorganisation, our Company is able to exercise control over the operations of, and enjoy the economic benefits of the Consolidated Affiliated Entities. Please refer to the paragraph headed “Our Reorganisation” in this section for further details.

## HISTORY AND REORGANISATION

### Our major subsidiaries and Consolidated Affiliated Entities

The following table sets forth certain information of our subsidiaries and Consolidated Affiliated Entities which made a material contribution to our results of operations during the Track Record Period:

Name of Company	Date of Establishment and Commencement of Business	Equity Interest Held by the Group	Place of Establishment	Principal Activities
Xuantao	6 August 2021	100.0%	PRC	Provision of technical support and consultation in relation to the Contractual Arrangements
Xuan Wu	2 November 2010	100.0%	PRC	Intelligent CRM services
Dejiu	4 January 2017	70.0% <sup>(1)</sup>	PRC	Provision of voice and video communication capabilities
Guangzhou Shangyu	4 June 2007	100.0%	PRC	Undertaking code numbers and procurement of channel resources from operators
Beijing Xiuwu	9 May 2008	100.0%	PRC	Undertaking code numbers and procurement of channel resources from operators
Henan Shangfang	14 June 2011	100.0%	PRC	Undertaking code numbers and procurement of channel resources from operators
Guangzhou Guanghan	21 October 2011	100.0%	PRC	Undertaking code numbers and procurement of channel resources from operators
Guangzhou Zhongmai	26 September 2012	100.0%	PRC	Undertaking code numbers and procurement of channel resources from operators
Guangzhou Zhengjun	28 January 2013	100.0%	PRC	Undertaking code numbers and procurement of channel resources from operators

## HISTORY AND REORGANISATION

Name of Company	Date of Establishment and Commencement of Business	Equity Interest Held by the Group	Place of Establishment	Principal Activities
Guangzhou Xuxin	18 February 2013	100.0%	PRC	Undertaking code numbers and procurement of channel resources from operators
Guangzhou Xuanxun	20 May 2014	100.0%	PRC	Undertaking code numbers and procurement of channel resources from operators
Guangzhou Jixin	5 May 2017	100.0%	PRC	Undertaking code numbers and procurement of channel resources from operators

*Notes:*

- (1) The 30.0% equity interest of Dejiu is held by Mr. Luo Zhijian (羅志堅) (“**Mr. Luo Zhijian**”). For details, please refer to the paragraph headed “Our Reorganisation” in this section.
- (2) For an explanation of the group structure with a number of Consolidated Affiliated Entities, please refer to the paragraph headed “Major acquisitions, disposals and mergers” in this section.

### ***Xuan Wu***

During the Track Record Period, Xuan Wu was one of our main operating companies which principally engaged in the business of provision of intelligent CRM services. It attracted a series of capital injections since its establishment.

(1) Establishment of Xuan Wu

Xuan Wu was incorporated on 2 November 2010 in the PRC as a limited liability company with an initial registered capital of RMB1,000,000.00 which was held as to 28.57% by Mr. Song, 21.43% by Mr. Chen, 21.43% by Mr. Huang, 17.86% by Mr. Li and 10.71% by Mr. Xie.

After a series of capital increase and share transfer between 2011 and 2014, as at June 2014, the registered capital of Xuan Wu was increased to RMB23,000,000.00 which was held as to 29.29% by Mr. Chen, 25.71% by Mr. Song, 19.29% by Mr. Huang, 16.07% by Mr. Li and 9.64% by Mr. Xie.

(2) Share transfer in May 2015

On 22 May 2015, Mr. Chen, Mr. Song, Mr. Huang, Mr. Li and Mr. Xie entered into certain share transfer agreements, pursuant to which they transferred certain equity interests in Xuan Wu to Guangzhou Xuandong, Guangzhou Xuanxi, Guangzhou Xuannan, Guangzhou Xuanbei, SZR Investment, Mr. Guo Haiqiu (郭海

## HISTORY AND REORGANISATION

球) (“**Mr. Guo Haiqiu**”), Mr. Chen Zhengxu (陳正旭) (“**Mr. Chen Zhengxu**”) and Mr. Wu Fugui (吳富貴) (“**Mr. Wu Fugui**”). The respective transferred equity interests and consideration were as follows:

Transferor	Transferee	Transferred Equity Interests	Consideration (RMB)
Mr. Chen	SZR Investment	1.1200%	5,440,000.00
Mr. Huang	Mr. Wu Fugui	1.1200%	5,440,000.00
Mr. Li	Mr. Chen Zhengxu	1.1200%	5,440,000.00
Mr. Chen	Mr. Guo Haiqiu	2.6828%	1,207,260.00
Mr. Huang	Mr. Guo Haiqiu	0.3172%	142,740.00
Mr. Huang	Guangzhou Xuanbei	3.0000%	1,350,000.00
Mr. Huang	Guangzhou Xuandong	0.1195%	53,775.00
Mr. Song	Guangzhou Xuandong	5.9133%	2,660,985.00
Mr. Xie	Guangzhou Xuandong	0.9672%	435,240.00
Mr. Chen	Guangzhou Xuannan	3.0000%	1,350,000.00
Mr. Chen	Guangzhou Xuanxi	0.0539%	24,255.00
Mr. Li	Guangzhou Xuanxi	2.6961%	1,213,245.00
Mr. Xie	Guangzhou Xuanxi	1.2500%	562,500.00
<b>Total</b>		<b>23.3600%</b>	<b>25,320,000.00</b>

## HISTORY AND REORGANISATION

Guangzhou Xuandong, Guangzhou Xuanxi, Guangzhou Xuannan and Guangzhou Xuanbei were employee stock ownership platforms of Xuan Wu and all of their partners were directors, employees or former employees of the Group. Each of SZR Investment, Mr. Chen Zhengxu and Mr. Wu Fugui was an Independent Third Party save for the interests held in Xuan Wu.

### (3) Capital increase in August 2015 and Quotation on the NEEQ

In contemplation of listing on the NEEQ, on 31 July 2015, the shareholders of Xuan Wu passed resolutions approving, among other matters, the conversion of Xuan Wu from a limited liability company into a joint stock company with limited liability and the change of name of Xuan Wu to Guangzhou Xuan Wu Wireless Technology Co., Ltd. (廣州市玄武無線科技股份有限公司). Upon completion of the registration of the conversion on 5 August 2015, the share capital of Xuan Wu was RMB45,000,000.00 divided into 45,000,000 shares with a nominal value of RMB1.00 each.

On 5 August 2015, Xuan Wu and its then shareholders entered into an investment agreement with Shanghai Fosun, Mr. Tang Bin (唐斌) (“**Mr. Tang Bin**”) and Mr. Zhang Boxiao (張博曉) (“**Mr. Zhang Boxiao**”), pursuant to which Shanghai Fosun, Mr. Tang Bin and Mr. Zhang Boxiao, each being an Independent Third Party save for the interests held in Xuan Wu, subscribed for RMB3,541,300.00, RMB8,600.00 and RMB19,900.00 registered capital of Xuan Wu at a consideration of RMB49,600,000.00, RMB120,000.00 and RMB280,000.00, respectively, of which RMB3,569,800.00 was credited to the registered capital of Xuan Wu and the remaining RMB46,430,200.00 was credited to its capital reserve. The consideration paid by Shanghai Fosun, Mr. Tang Bin and Mr. Zhang Boxiao was settled on 18 August 2015, 20 August 2015 and 18 August 2015, respectively.

On 17 December 2015, the shares of Xuan Wu were listed on the NEEQ.

### (4) Capital increase in February 2016

On 18 February 2016, the shareholders of Xuan Wu passed resolutions to approve GF Securities, Zhuhai Qianheng, CITIC Securities, and Orient Securities Company Limited (東方證券股份有限公司) (“**Orient Securities**”), Ping An Securities Ltd. (平安證券有限責任公司) (“**Ping An Securities**”), Huaan Securities Co., Ltd. (華安證券股份有限公司) (“**Huaan Securities**”) and First Capital Securities Co., Ltd. (第一創業證券股份有限公司) (“**First Capital**”), each being an Independent Third Party save for the interests held in Xuan Wu, who subsequently ceased to be shareholders of Xuan Wu when their shares were repurchased by Xuan Wu, to subscribe 500,000 shares, 500,000 shares, 200,000 shares, 400,000 shares, 300,000 shares, 200,000 shares and 200,000 shares at a consideration of RMB11,325,000.00, RMB11,325,000.00, RMB4,530,000.00, RMB9,060,000.00, RMB6,795,000.00, RMB4,530,000.00 and RMB4,530,000.00, respectively, of which RMB2,300,000.00 was credited to the registered capital of Xuan Wu and the remaining RMB49,795,000.00 was credited to its capital reserve. The consideration paid by each of the investors was settled between 19 February 2016 and 26 February 2016.

## HISTORY AND REORGANISATION

The major shareholders who held more than 5% equity interest of Xuan Wu following the capital increase in February 2016 were as follows:

Shareholders	Number of shares	Approximate shareholding percentage in Xuan Wu
Mr. Chen	10,094,985	19.8447%
Mr. Song	8,908,515	17.5123%
Mr. Huang	6,629,985	13.0332%
Mr. Li	5,514,255	10.8399%
Shanghai Fosun	3,541,300	6.9614%
Mr. Xie	3,340,260	6.5662%
Guangzhou Xuandong	3,150,000	6.1922%

### (5) Acquisition of Dejiu

Dejiu was established in the PRC on 4 January 2017 as a limited liability company with a registered capital of RMB10,000,000.00. As at May 2017, Dejiu was held as to 70.0% by Mr. Zhang Wei (張煒) (“**Mr. Zhang Wei**”) who was a supervisor of Dejiu during the Track Record Period and 30.0% by Mr. Luo Zhijian. Both Mr. Zhang Wei and Mr. Luo Zhijian were Independent Third Parties at the time of acquisition. On 24 July 2018, Xuan Wu and Mr. Zhang Wei, entered into an agreement, pursuant to which Xuan Wu agreed to purchase the 70.0% equity interests of Dejiu held by Mr. Zhang Wei at a consideration of RMB11,619,200.00, of which RMB6,619,200.00 shall be settled by issuance of 224,000 ordinary shares of Xuan Wu at a price of RMB29.55 per share to Mr. Zhang Wei and RMB5,000,000.00 shall be settled in cash. The consideration was determined with reference to the valuation of all shareholders’ equity of Dejiu as at 31 March 2018 of RMB17,610,300.00 as appraised by an independent valuer. The issue price of Xuan Wu was determined taking into account various factors including, among others, the prospect and the trading price of Xuan Wu’s shares on the NEEQ. The shares issued to Mr. Zhang Wei were confirmed by The National Equities Exchange and Quotations Corporation Limited on 12 October 2018 and registered with the Beijing branch of the China Securities Depository and Clearing Corporation Limited on 26 October 2018 and the cash consideration was fully settled by offsetting prepayment paid on 2 July 2018. The registration procedures of change of 70.0% equity interests in Dejiu was completed on 16 August 2018.

## HISTORY AND REORGANISATION

### (6) Capital decrease and increase in 2019

On 15 June 2019, the shareholders of Xuan Wu passed resolutions to approve the repurchase of certain number of shares from Orient Securities, Ping An Securities, First Capital, Huaan Securities, Yichun City Mingbo Corporate Management Centre (Limited Partnership) (宜春市銘博企業管理中心(有限合夥)), Mr. You Haixiao (尤海嘯) and Mr. Li Dajun (李大軍), each being an Independent Third Party save for the interests held in Xuan Wu. The respective number of shares repurchased, share repurchase price and date of settlement of the share repurchase price were as follows:

Shareholders	Number of shares repurchased	Share repurchase price (RMB)	Date of settlement
Orient Securities	401,000	11,999,844.80	21 August 2019
Ping An Securities	301,000	8,424,990.00	8 November 2019
First Capital	194,000	5,383,500.00	27 December 2019
Huaan Securities	192,000	5,212,800.00	30 September 2019
Yichun City Mingbo Corporate Management Centre (Limited Partnership) (宜春市銘博企業管 理中心(有限合夥))	5,000	170,000.00	19 June 2019
Mr. You Haixiao (尤海嘯)	4,000	136,000.00	25 June 2019
Mr. Li Dajun (李大軍)	2,000	68,000.00	24 June 2019

The repurchase price was determined after arm's length negotiations among the parties with reference to the then market value of Xuan Wu. The registered share capital of Xuan Wu decreased by RMB1,099,000.00 to RMB49,994,800.00 and the capital reserve decreased by RMB30,296,134.80.



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The major shareholders who held more than 5% equity interest of Xuan Wu following the capital decrease in 2019 were as follows:

Shareholders	Number of shares	Approximate shareholding percentage in Xuan Wu
Mr. Chen	10,094,985	20.1920%
Mr. Song	8,908,515	17.8188%
Mr. Huang	6,629,985	13.2613%
Mr. Li	5,514,255	11.0296%
Shanghai Fosun	3,541,300	7.0833%
Mr. Xie	3,340,260	6.6812%
Guangzhou Xuandong	3,150,000	6.3006%

On 25 August 2019, Xuan Wu entered into an agreement with Mr. Chen, Mr. Song, Mr. Huang, Mr. Li and Mr. Xie, pursuant to which Mr. Chen, Mr. Song, Mr. Huang, Mr. Li and Mr. Xie subscribed certain number of shares of Xuan Wu. The respective number of shares subscribed, consideration and date of settlement of the consideration were as follows:

Subscribers	Number of shares subscribed	Consideration (RMB)	Date of settlement
Mr. Chen	1,815	54,450.00	26 August 2019
Mr. Song	1,602	48,060.00	26 August 2019
Mr. Huang	1,192	35,760.00	26 August 2019
Mr. Li	991	29,730.00	27 August 2019
Mr. Xie	600	18,000.00	26 August 2019

The consideration was determined with reference to the then market value of Xuan Wu.

## HISTORY AND REORGANISATION

### (7) Capital increase in September 2020

From 1 September 2020 to 10 September 2020, GL Venture Capital, Chengda Coastal, GF Qianhe and Zhuhai Qingshi, each being an Independent Third Party save for the interests held in Xuan Wu, subscribed 1,000,000 shares, 310,000 shares, 1,250,000 shares and 32,000 shares at a consideration of RMB23,990,000.00, RMB7,436,900.00, RMB29,987,500.00, and RMB767,680.00, respectively, of which RMB2,592,000.00 was credited to the registered capital of Xuan Wu and the remaining RMB59,590,080.00 was credited to its capital reserve (the “**2020 Investment**”). The consideration was determined after arm’s length negotiations with reference to the then valuation of Xuan Wu. The consideration paid by GL Venture Capital was settled in cash on 15 September 2020, and the consideration paid by Chengda Coastal, GF Qianhe and Zhuhai Qingshi was all settled in cash on 14 September 2020.

The major shareholders who held more than 5% equity interest of Xuan Wu following the capital increase in 2020 were as follows:

Shareholders	Number of shares	Approximate shareholding percentage in Xuan Wu
Mr. Chen	10,096,800	19.1980%
Mr. Song	8,910,117	16.9416%
Mr. Huang	6,631,177	12.6085%
Mr. Li	5,515,246	10.4867%
Shanghai Fosun	3,541,300	6.7334%
Mr. Xie	3,340,860	6.3523%
Guangzhou Xuandong	3,150,000	5.9894%

### (8) Share transfer in October 2020 (the “**Guangzhou Zhengxin Share Transfer**”)

On 16 October 2020, Mr. Xie and Guangzhou Zhengxin, an Independent Third Party save for the interests held in Xuan Wu, entered into an equity transfer agreement, pursuant to which Mr. Xie agreed to sell and Guangzhou Zhengxin agreed to purchase 800,000 shares, which represented 1.5211% of the then equity interest of Xuan Wu, at a consideration of RMB23.99 per share. The consideration was determined after arm’s length negotiations, which was fully settled in cash on 19 October 2020. On 17 October 2020, Shanghai Fosun and Guangzhou Zhengxin entered into an equity transfer agreement, pursuant to which Shanghai Fosun

## HISTORY AND REORGANISATION

agreed to sell and Guangzhou Zhengxin agreed to purchase 400,000 shares, which represented 0.7606% of the then equity interest of Xuan Wu, at a consideration of RMB23.99 per share. The consideration was determined after arm’s length negotiations with reference to the consideration of the 2020 Investment, which was fully settled in cash on 19 October 2020. For details, please refer to the paragraph headed “The Pre-IPO Investments” in this section.

The major shareholders who held more than 5% equity interest of Xuan Wu following the Guangzhou Zhengxin Share Transfer were as follows:

Shareholders	Number of shares	Approximate shareholding percentage in Xuan Wu
Mr. Chen	10,096,800	19.1980%
Mr. Song	8,910,117	16.9416%
Mr. Huang	6,631,177	12.6085%
Mr. Li	5,515,246	10.4867%
Guangzhou Xuandong	3,150,000	5.9894%
Shanghai Fosun	3,141,300	5.9728%

### MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

Save for our Group’s acquisition of Dejiu during the Track Record Period referred to in the paragraph headed “Corporate development — Our major subsidiaries and Consolidated Affiliated Entities — Xuan Wu — (5) Acquisition of Dejiu” in this section, we have conducted the following acquisitions, disposals or mergers since our inception that we consider to be material to us.

#### Guangzhou Shangyu

Guangzhou Shangyu was established in the PRC on 4 June 2007 as a limited liability company with an initial registered capital of RMB500,000.00 and was initially held as to 50.0% by Mr. Song and 50.0% by Mr. Huang. On 14 February 2012, Xuan Wu entered into an agreement with Xuanwu Information and Technology, the then shareholder of Guangzhou Shangyu, to acquire 100.0% equity interest of Guangzhou Shangyu held by Xuanwu Information and Technology. The consideration of RMB3,446,454.36 was determined with reference to the audited net asset value of Guangzhou Shangyu as at 31 December 2011 and was fully settled in cash on 3 September 2012. As at the Latest Practicable Date, Guangzhou Shangyu had a registered capital of RMB10,000,000.00.

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### Beijing Xiuwu

Beijing Xiuwu was established in the PRC on 9 May 2008 as a limited liability company with an initial registered capital of RMB1,000,000.00 and was initially held as to 50.0% by Mr. Zhu Lei (朱磊) (“**Mr. Zhu Lei**”) and 50.0% by Mr. Chen Tuwang (陳突旺) (“**Mr. Chen Tuwang**”), each being an Independent Third Party. On 5 December 2011, the shareholder of Beijing Xiuwu passed a resolution to approve the equity interests of Beijing Xiuwu held by the then shareholder, Xuanwu Information and Technology, to be transferred to Xuan Wu. The consideration of RMB5,930,544.41 was determined after arm’s length negotiations with reference to the unaudited net asset value of Beijing Xiuwu as at 31 December 2011 and was fully settled in cash on 30 November 2012. As at the Latest Practicable Date, Beijing Xiuwu had a registered capital of RMB10,000,000.00.

### Guangzhou Zhengjun

Guangzhou Zhengjun was established in the PRC on 28 January 2013 as a limited liability company with an initial registered capital of RMB10,000,000.00 and was initially held as to 100.0% by Ms. Chen Ying (陳迎) (“**Ms. Chen Ying**”), who is an employee of Xuan Wu and a limited partner of Guangzhou Xuanbei and was a supervisor of Guangzhou Xuxin during the Track Record Period and a supervisor of Tianjin Xingjian since 28 February 2018. On 1 May 2015, Xuan Wu entered into an agreement with Ms. Chen Ying to acquire 100.0% equity interests of Guangzhou Zhengjun held by Ms. Chen Ying at a consideration of RMB6,969,090.65 which was fully settled in cash on 13 May 2015. The consideration was based on the unaudited net asset value of Guangzhou Zhengjun as at 30 April 2015. As at the Latest Practicable Date, Guangzhou Zhengjun had a registered capital of RMB10,000,000.00.

### Henan Shangfang

Henan Shangfang was established in the PRC on 14 June 2011 as a limited liability company with an initial registered capital of RMB1,000,000.00 and was initially held as to 49.95% by Mr. Zhang Aiguo (張愛國) (“**Mr. Zhang Aiguo**”) and 50.05% by Mr. Song Jianchao (宋建超) (“**Mr. Song Jianchao**”), each being an Independent Third Party. On 25 May 2015, the then shareholder of Henan Shangfang passed a resolution to approve the transfer of 100% equity interests of Henan Shangfang held by Mr. Chen Yongjian (陳永堅) (“**Mr. Chen Yongjian**”), the then sole shareholder of Henan Shangfang and an Independent Third Party, to Xuan Wu at a consideration of RMB99,978.16 which was fully settled in cash on 14 September 2015. The consideration was determined after arm’s length negotiations with reference to the unaudited net asset value of Henan Shangfang as at 31 May 2015. As at the Latest Practicable Date, Henan Shangfang had a registered capital of RMB10,010,000.00.

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### Guangzhou Xuxin

Guangzhou Xuxin was established in the PRC on 18 February 2013 as a limited liability company with an initial registered capital of RMB10,000,000.00 and was initially held as to 100.0% by Ms. Huang Liran (黃麗然) (“**Ms. Huang Liran**”), an employee of Xuan Wu and a limited partner of Guangzhou Xuanbei and was a supervisor of Guangzhou Zhengjun during the Track Record Period. On 19 May 2015, Xuan Wu entered into an agreement with Ms. Huang Liran to acquire 100.0% equity interests of Guangzhou Xuxin held by Ms. Huang Liran at a consideration of RMB7,119,208.32 which was fully settled in cash on 14 May 2015. The consideration was based on the unaudited net asset value of Guangzhou Xuxin as at 30 April 2015. As at the Latest Practicable Date, Guangzhou Xuxin had a registered capital of RMB10,000,000.00.

### Guangzhou Zhongmai

Guangzhou Zhongmai was established in the PRC on 26 September 2012 as a limited liability company with an initial registered capital of RMB1,000,000.00 and was initially held as to 30.0% by Mr. Luo Weidong (羅偉東) (“**Mr. Luo Weidong**”) and 70.0% by Mr. Ouyang Fucheng (歐陽付成) (“**Mr. Ouyang Fucheng**”), each being an Independent Third Party. On 17 August 2015, the then shareholders of Guangzhou Zhongmai passed a resolution to approve the transfer of 30.0% and 70.0% equity interests of Guangzhou Zhongmai held by Mr. Luo Weidong and Mr. Ouyang Fucheng, respectively, to Xuan Wu at a consideration of RMB300,000.00 and RMB700,000.00 respectively which was fully settled in cash on 27 August 2015. The consideration was determined after arm’s length negotiations with reference to the then registered capital of Guangzhou Zhongmai. As at the Latest Practicable Date, Guangzhou Zhongmai had a registered capital of RMB10,000,000.00.

### Guangzhou Xuanxun

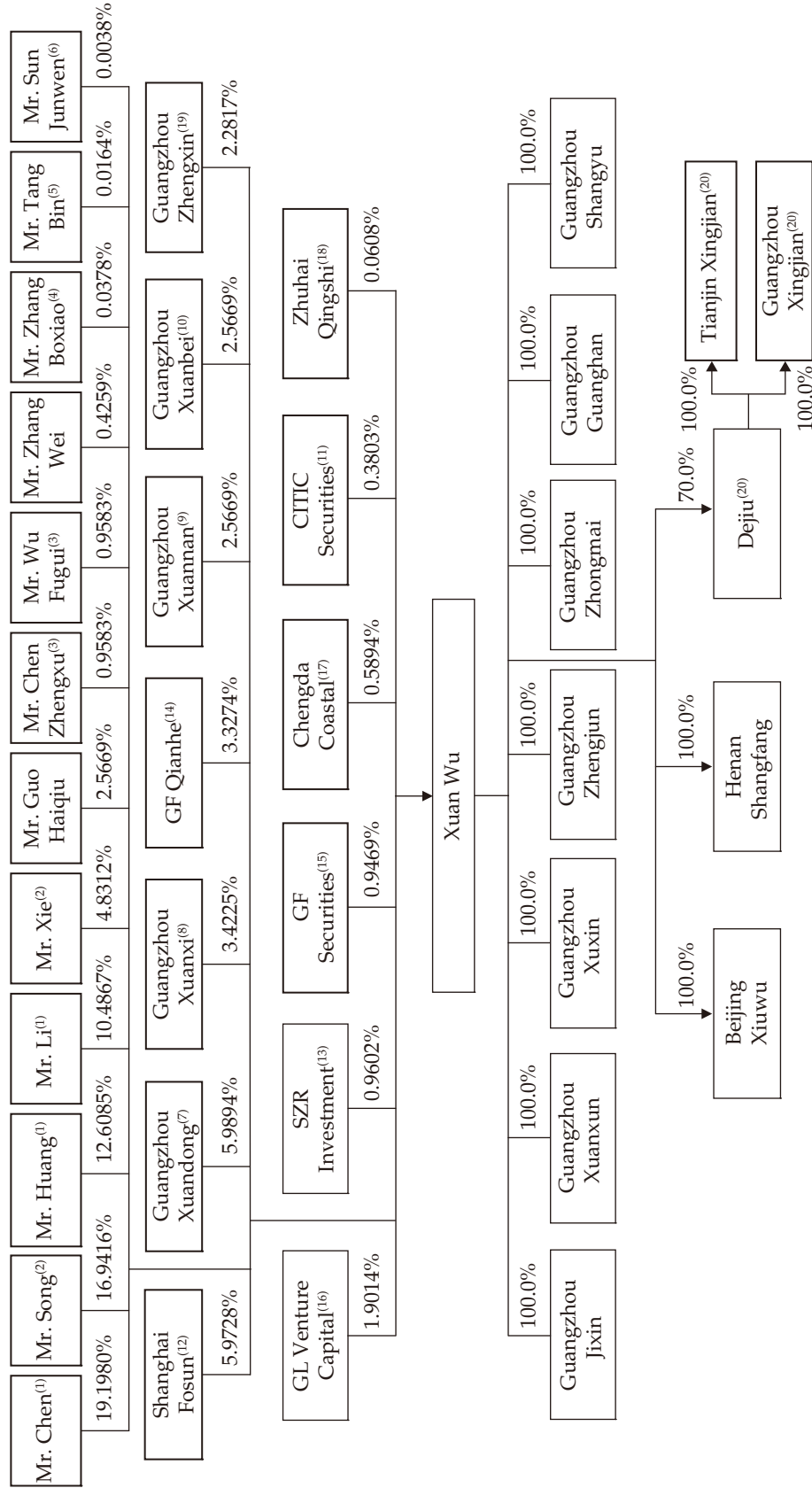
Guangzhou Xuanxun was established in the PRC on 20 May 2014 as a limited liability company with an initial registered capital of RMB500,000.00 and was initially held as to 100.0% by Mr. Li. On 16 May 2015, the then shareholder of Guangzhou Xuanxun passed a resolution to approve the transfer of 100.0% equity interests of Guangzhou Xuanxun held by Mr. Li to Xuan Wu at a consideration of RMB9,989,887.86 which was fully settled in cash on 13 July 2015. The consideration was determined after arm’s length negotiations with reference to the unaudited net asset value of Guangzhou Xuanxun as at 31 May 2015. As at the Latest Practicable Date, Guangzhou Xuanxun had a registered capital of RMB10,000,000.00.

We have adopted a group structure with a number of Consolidated Affiliated Entities, as in the course of our Group’s business operation, our Group has to procure channel resources which mainly consist of unique sequences of numbers with specific starting codes which must be applied from the MIIT. The Group’s channel resources include short message access codes. Under the *Measures for the Application, Allocation, Usage and Recovery of Telecommunication Network Code Resource* (短消息類服務接入代碼申請、分配、使用與收回管理辦法), a service provider can generally apply for one short message access code only for the same purpose. In light of the growing business needs, our Group set up different Consolidated Affiliated Entities to apply for multiple short message access code resources to enrich their channel resources.

# HISTORY AND REORGANISATION

## OUR REORGANISATION

In preparation for the Listing, we commenced the Reorganisation with the establishment of our Company in April 2021 and further implemented a structure under which our Company became the holding company of our Group. Set forth below is our corporate structure immediately prior to the incorporation of our Company and the commencement of the Reorganisation.



*Notes:*

- (1) *Mr. Chen, Mr. Huang, Mr. Li:* Mr. Chen, Mr. Huang and Mr. Li have been acting in concert with each other with respect to our Group since 13 July 2015, and would continue to act in the same manner in our Group after the Listing. For details, please refer to the section headed “Relationship with our Controlling Shareholders” in this prospectus.
- (2) *Mr. Song and Mr. Xie:* Mr. Song and Mr. Xie were acquaintances of Mr. Chen and Mr. Li and co-founded Xuanwu Information and Technology and Xuan Wu. Mr. Song is currently the president of the supervisory committee of Xuan Wu and the supervisor of Guangzhou Shangyu. Mr. Xie was a member of the supervisory committee of Xuan Wu during the Track Record Period until October 2020.
- (3) *Mr. Chen Zhengxu and Mr. Wu Fugui:* Mr. Chen Zhengxu and Mr. Wu Fugui are Independent Third Party individual investors and are acquaintances of our founders.
- (4) *Mr. Zhang Boxiao:* Mr. Zhang Boxiao is an Independent Third Party individual investor and was a person-in-charge of Shanghai Fosun’s project of investing in Xuan Wu. Mr. Zhang Boxiao invested in Xuan Wu at the same time with Shanghai Fosun pursuant to Shanghai Fosun’s internal regulations.
- (5) *Mr. Tang Bin:* Mr. Tang Bin is an Independent Third Party individual investor and is the chairman of Shanghai Fosun Chuangfu Investment Management Company Limited (上海復星創富投資管理股份有限公司), the fund manager of Shanghai Fosun. Mr. Tang Bin was a person-in-charge of Shanghai Fosun’s project of investing in Xuan Wu and invested in Xuan Wu at the same time with Shanghai Fosun pursuant to Shanghai Fosun’s internal regulations.
- (6) *Mr. Sun Junwen:* Mr. Sun Junwen is an Independent Third Party individual investor and became a shareholder of Xuan Wu through secondary market transactions during the period Xuan Wu was listed on the NEEQ.
- (7) *Guangzhou Xuandong:* Guangzhou Xuandong is a limited liability partnership established under the laws of the PRC and an employee stock ownership platform of our Group. As at the Latest Practicable Date, Guangzhou Xuandong was contributed as to (i) 48.7143% by Mr. Xie; (ii) 35.1429% by Mr. Chen; (iii) 7.1429% by Ms. Ge Ping, its general partner; (iv) 1.5000% by Mr. Zhang Deqi; and (v) 7.5000% by 3 employees or former employees of our Group who were not Directors or senior management of our Company.
- (8) *Guangzhou Xuanxi:* Guangzhou Xuanxi is a limited liability partnership established under the laws of the PRC and an employee stock ownership platform of our Group. As at the Latest Practicable Date, Guangzhou Xuanxi was contributed as to (i) 46.8392% by Mr. Chen, its general partner; (ii) 21.9408% by Mr. Li; (iii) 3.0000% by Mr. Liu Hanwei; and (iv) 28.2200% by 29 employees or former employees of our Group who were not Directors or senior management of our Company.
- (9) *Guangzhou Xuannan:* Guangzhou Xuannan is a limited liability partnership established under the laws of the PRC and an employee stock ownership platform of our Group. As at the Latest Practicable Date, Guangzhou Xuannan was contributed as to (i) 32.4646% by Mr. Chen, its general partner; (ii) 1.9796% by Mr. Li; (iii) 10.0000% by Mr. Zhu Yuan; and (iv) 55.5558% by 29 employees or former employees of our Group who were not Directors or senior management of our Company.
- (10) *Guangzhou Xuanbei:* Guangzhou Xuanbei is a limited liability partnership established under the laws of the PRC and an employee stock ownership platform of our Group. As at the Latest Practicable Date, Guangzhou Xuanbei was contributed as to (i) 34.4728% by Mr. Chen, its general partner; (ii) 2.2292% by Mr. Li; and (iii) 63.2980% by 23 employees or former employees of our Group who were not Directors or senior management of our Company.

## HISTORY AND REORGANISATION

- (11) *CITIC Securities*: CITIC Securities is a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Stock Exchange (stock code: 6030) and on the Shanghai Stock Exchange (stock code: 600030).
- (12) *Shanghai Fosun*: Shanghai Fosun is a limited liability partnership established in the PRC and a private equity fund filed with the Asset Management Association of China (filing number: SD1365). The executive partner of Shanghai Fosun is Shanghai Fosun Weishi Investment Management Company Limited (上海復星樞實投資管理有限公司), an Independent Third Party. Shanghai Fosun is managed by Shanghai Fosun Chuangfu Investment Management Company Limited (上海復星創富投資管理股份有限公司), an Independent Third Party, which is registered with the Asset Management Association of China (registration number: P1000303).
- (13) *SZR Investment*: SZR Investment is a limited liability company incorporated in the PRC which is a private equity manager registered with the Asset Management Association of China (registration number: P1014500).
- (14) *GF Qianhe*: GF Qianhe is a limited liability company incorporated in the PRC, and wholly owned by GF Securities. It was the sole shareholder of Zhuhai Qianheng before Zhuhai Qianheng was deregistered on 3 December 2019. Pursuant to a shareholder's decision of GF Qianhe dated 27 March 2019 and an agreement between GF Qianhe and Zhuhai Qianheng dated 2 August 2019, Zhuhai Qianheng was merged and consolidated with GF Qianhe and the equity and investment rights and interests enjoyed by Zhuhai Qianheng in its invested entities shall be succeeded by GF Qianhe. Upon the merger and consolidation, GF Qianhe became the owner of the 500,000 shares held by Zhuhai Qianheng.
- (15) *GF Securities*: GF Securities is a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Stock Exchange (stock code: 1776) and on the Shenzhen Stock Exchange (stock code: 000776).
- (16) *GL Venture Capital*: GL Venture Capital is a limited liability partnership established in the PRC. For details, please refer to the paragraph headed "The Pre-IPO Investments — Information regarding the Pre-IPO Investors" in this section.
- (17) *Chengda Coastal*: Chengda Coastal is a limited liability partnership established in the PRC. For details, please refer to the paragraph headed "The Pre-IPO Investments — Information regarding the Pre-IPO Investors" in this section.
- (18) *Zhuhai Qingshi*: Zhuhai Qingshi is a limited liability partnership established in the PRC. For details, please refer to the paragraph headed "The Pre-IPO Investments — Information regarding the Pre-IPO Investors" in this section.
- (19) *Guangzhou Zhengxin*: Guangzhou Zhengxin is a limited liability partnership established in the PRC. For details, please refer to the paragraph headed "The Pre-IPO Investments — Information regarding the Pre-IPO Investors" in this section.
- (20) *Dejiu, Tianjin Xingjian and Guangzhou Xingjian*: As at the Latest Practicable Date, the 30.0% equity interests of Dejiu is held by Mr. Luo Zhujian. Tianjin Xingjian and Guangzhou Xingjian are wholly-owned subsidiaries of Dejiu.



## HISTORY AND REORGANISATION

### **The onshore restructuring**

#### *Step 1: Establishment of Xuantao and the Contractual Arrangements*

Xuantao was established in the PRC on 6 August 2021 as a wholly foreign-owned enterprise with a registered capital of USD11,000,000.00, which was subscribed for by Xuan Wu HK.

On 10 August 2021 and 29 December 2021, Xuantao entered into various agreements which constitute the Contractual Arrangements with Xuan Wu and its subsidiaries and the Registered Shareholders, under which we are able to exercise effective control over our Consolidated Affiliated Entities and the economic benefits arising from the businesses of our Consolidated Affiliated Entities are transferred to Xuantao to the extent permitted under PRC Laws by means of services fees payable by Xuan Wu and its subsidiaries to Xuantao. For details, please refer to the section headed “Contractual Arrangements” in this prospectus.

### **The offshore restructuring**

#### *Step 1: Incorporation of offshore holding entities*

Our Company was incorporated on 26 April 2021. The initial sole Share of our Company was allotted and issued to the initial subscriber who immediately transferred that Share to Zhenghao Global. On the same day, 999 Shares were allotted and issued to Zhenghao Global.

Xuan Wu BVI was incorporated on 28 May 2021 in the BVI, with 50,000 ordinary shares allotted and issued to the Company being the sole shareholder of Xuan Wu BVI.

Xuan Wu HK was incorporated on 17 June 2021 in Hong Kong, with 10,000 ordinary shares issued and allotted to Xuan Wu BVI being the sole shareholder of Xuan Wu HK.

#### *Step 2: Offshore shareholding restructuring*

To reflect the onshore shareholding structure of Xuan Wu, on 3 August 2021, our Company allotted and issued a total of 52,592,000 Shares to (i) the offshore holding companies that are ultimately and respectively owned by Mr. Chen, Mr. Huang, Mr. Li, Mr. Song, Mr. Xie, Mr. Guo Haiqiu, Mr. Chen Zhengxu, Mr. Wu Fugui, Mr. Zhang Wei, Mr. Zhang Boxiao, Mr. Tangbin, Mr. Sun Junwen and CITIC Securities; and (ii) Shanghai Fosun, Guangzhou Xuandong, Guangzhou Xuanxi, Guangzhou Xuannan, Guangzhou Xuanbei, GF Qianhe, Guangzhou Zhengxin, GL Venture Capital, SZR Investment, GF Securities, Chengda Coastal and Zhuhai Qingshi. Upon such allotment and issuance of Shares, each of the shareholders of Xuan Wu or their respective offshore holding companies became shareholders of our Company with the same shareholding percentages in Xuan Wu. The respective nominal subscription consideration does not reflect the investment costs of each of the shareholders in our Group.

## HISTORY AND REORGANISATION

Upon completion of the reorganisation steps described above, the shareholding structure of our Company was as follows:

Name of Shareholders	Number of Shares	Approximate Shareholding Percentage in Our Company after the Allotment	Subscription Consideration (US\$)
Zhenghao Global	10,096,800	19.1980%	1,009.68
Baoya Group	8,910,117	16.9416%	891.01
Honghan Worldwide	6,631,177	12.6085%	663.12
Double Winner	5,515,246	10.4867%	551.52
Guangzhou Xuandong	3,150,000	5.9894%	315.00
Shanghai Fosun	3,141,300	5.9728%	314.13
East Pride Industrial	2,540,860	4.8312%	254.09
Guangzhou Xuanxi	1,800,000	3.4225%	180.00
GF Qianhe	1,750,000	3.3274%	175.00
Guangzhou Xuannan	1,350,000	2.5669%	135.00
Guangzhou Xuanbei	1,350,000	2.5669%	135.00
East Pride Development	1,350,000	2.5669%	135.00
Guangzhou Zhengxin	1,200,000	2.2817%	120.00
GL Venture Capital	1,000,000	1.9014%	100.00
SZR Investment	505,000	0.9602%	50.50
Top Lux	504,000	0.9583%	50.40
Horizon Worldwide	504,000	0.9583%	50.40
GF Securities	498,000	0.9469%	49.80
Chengda Coastal	310,000	0.5894%	31.00
Ace Quality	224,000	0.4259%	22.40
Pluto Connection	200,000	0.3803%	20.00
Zhuhai Qingshi	32,000	0.0608%	3.20
Bravo Great	19,900	0.0378%	1.99
Genius Professional	8,600	0.0164%	0.86
Champion Team	2,000	0.0038%	0.20
	<b>52,593,000</b>	<b>100.0000%</b>	

### *Compliance with the Cayman Islands laws*

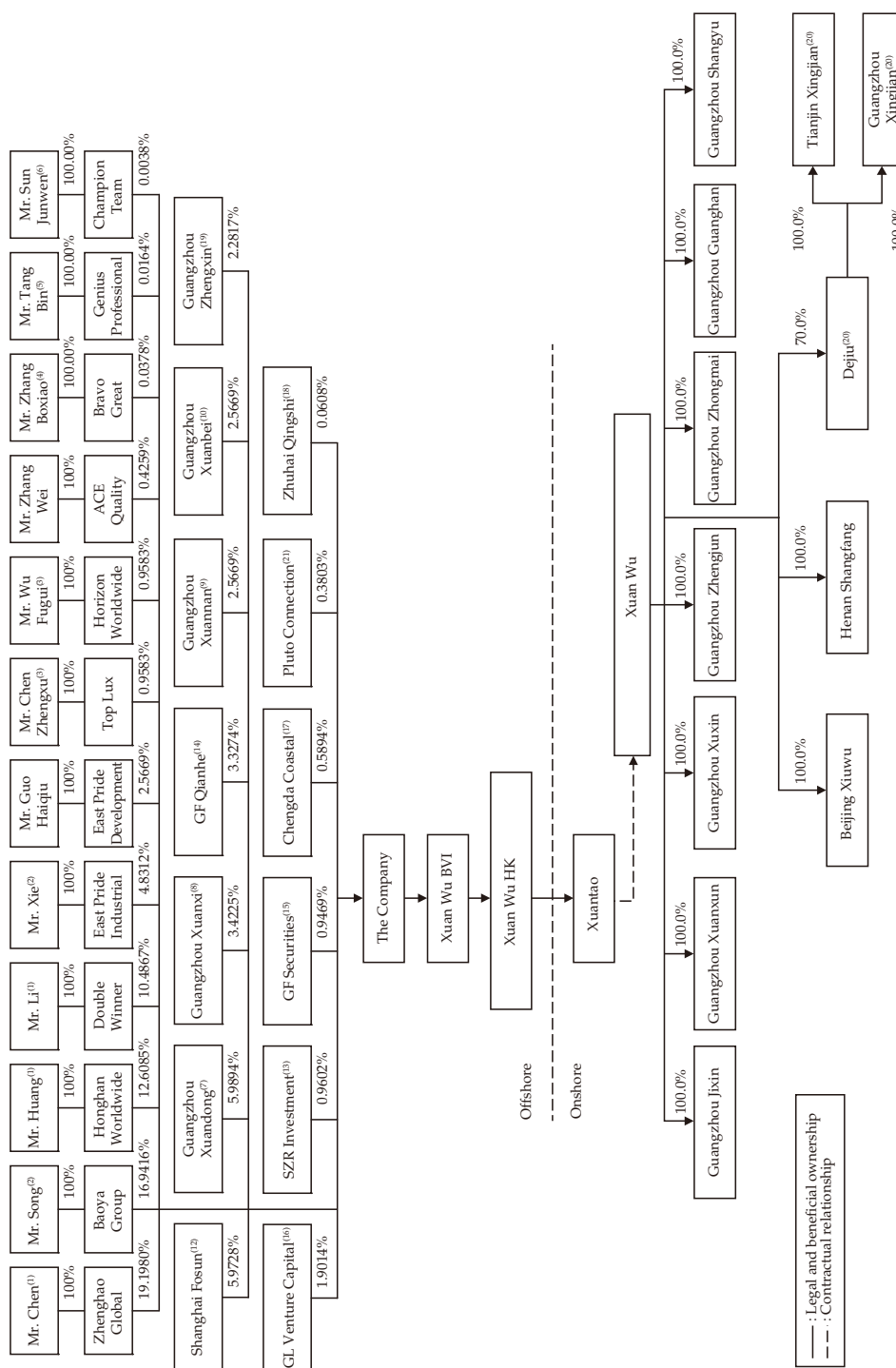
Our legal adviser as to the laws of the Cayman Islands has confirmed that the above issuances and transfers of shares of the Company as mentioned under Steps 1 to 2, were completed and settled in compliance with applicable laws and regulations in the Cayman Islands.

### *No further material acquisitions or disposals*

Except for the acquisitions described above and in the paragraph headed “Our Reorganisation” in this section, our Group has not undertaken any other major acquisitions, disposals or mergers during the Track Record Period.

## Our Group structure after the Reorganisation

The following chart illustrates our corporate and shareholding structure immediately following the completion of the Reorganisation, but before the Global Offering:



Notes: (1) to (20): Please refer to the diagram contained under the paragraph headed “Our Reorganisation” in this section.  
 (21): Pluto Connection is a business company incorporated in the BVI and ultimately wholly owned by CITIC Securities.

## THE PRE-IPO INVESTMENTS

### Overview

We have received two rounds of investments from our Pre-IPO Investors since the establishment of our Group, which are summarised below:

### *Key information of the Pre-IPO Investments*

The following table sets forth certain key information of the Pre-IPO Investments:

Item	Names of Pre-IPO Investors	GF Qianhe	GL Venture Capital	Chengda Coastal	Zhuhai Qingshi	Guangzhou Zhengxin
Date of initial share purchase agreement/ share transfer agreement	10 September 2020	10 September 2020	1 September 2020	10 September 2020	10 September 2020	16 October 2020 17 October 2020
Number of shares acquired	1,250,000	1,000,000	310,000	32,000	1,200,000	
Cost per share paid under the Pre-IPO Investments	RMB23.99	RMB23.99	RMB23.99	RMB23.99	RMB23.99	RMB23.99
Total consideration paid	RMB29,987,500.00 <sup>(1)</sup>	RMB23,990,000.00 <sup>(1)</sup>	RMB7,436,900.00 <sup>(1)</sup>	RMB767,680.00 <sup>(1)</sup>	RMB28,788,000.00 <sup>(1)</sup>	
Date consideration paid	14 September 2020	15 September 2020	14 September 2020	14 September 2020	19 October 2020	

Notes:

(1) The total consideration paid by the investors was in respect of the relevant equity interests in Xuan Wu.

## HISTORY AND REORGANISATION

Item	Names of Pre-IPO Investors	GF Qianhe	GL Venture Capital	Chengda Coastal	Zhuhai Qingshi	Guangzhou Zhengxin
Basis of determination of the consideration	For details, please refer to the paragraph headed “Corporate development — Our major subsidiaries and Consolidated Affiliated Entities — Xuan Wu — (7) Capital increase in September 2020” in this section.	For details, please refer to the paragraph headed “Corporate development — Our major subsidiaries and Consolidated Affiliated Entities — Xuan Wu — (8) Share transfer in October 2020” in this section.				
Use of proceeds and whether they have been fully utilised	The proceeds from the investments of GF Qianhe, GL Venture Capital, Chengda Coastal and Zhuhai Qingshi have been used for the expansion of our Group’s business and the Reorganisation and general working capital purpose. As at the Latest Practicable Date, the proceeds from the investments of GF Qianhe, GL Venture Capital, Chengda Coastal and Zhuhai Qingshi have been fully utilised <sup>(2)</sup> .					
Strategic benefits	Our Directors are of the view that our Company could benefit from the additional capital provided by GF Qianhe, GL Venture Capital, Chengda Coastal and Zhuhai Qingshi and our Company could leverage the Pre-IPO Investors’ network, knowledge and experience. For example, our Pre-IPO Investors advised us as to the planning and formulation of project team for financing projects. In addition, GF Qianhe, the holding company of which is GF Securities, one of our clients, introduced us clients.					
Shareholding immediately before completion of Capitalisation Issue and the Global Offering	3.3274% <sup>(3)</sup>	1.9014%	0.5894%	0.0608%	2.2817%	
Discount to mid-point of the Offer Price range	approximately 50.38%	approximately 50.38%	approximately 50.38%	approximately 50.38%	approximately 50.38%	
Shareholding upon the completion of Capitalisation Issue and the Global Offering	3.1232%	1.7847%	0.5533%	0.0571%	2.1416%	
<i>Notes:</i>						
(2)	The consideration of the Guangzhou Zhengxin Share Transfer was payable to the respective transferors and did not form part of the proceeds of the Pre-IPO Investments.					
(3)	The 3.3274% interests in our Company held by GF Qianhe includes reflection in the shareholding in our Company of 500,000 shares of Xuan Wu previously held by Zhuhai Qianheng and succeeded by GF Qianhe.					

## HISTORY AND REORGANISATION

Item	Names of Pre-IPO Investors	GF Qianhe	GL Venture Capital	Chengda Coastal	Zhuhai Qingshi	Guangzhou Zhengxin
Percentage of shareholding in our Company immediately after completion of Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised)		3.1232%	1.7847%	0.5533%	0.0571%	2.1416%
Lock-up		No lock-up period	No lock-up period <sup>(5)</sup>	No lock-up period	No lock-up period	No lock-up period
Public Float		Our Shares held by each of GL Venture Capital, Chengda Coastal, GF Qianhe, Zhuhai Qingshi and Guangzhou Zhengxin are considered as part of the public float for the purposes of Rule 8.08 of the Listing Rules as each of them (i) is not a core connected person of our Company; (ii) the subscription of its respective shareholding interest in our Company was not financed directly or indirectly by any core connected person of our Company; and (iii) is not accustomed to take instructions from a core connected person in relation to the acquisition, disposal, voting or other disposition of securities of our Company registered in its name or otherwise held by it.				
Post-money valuation of each round of investment <sup>(6)</sup>		RMB1,262,000,000.00	RMB1,262,000,000.00	RMB1,262,000,000.00	RMB1,262,000,000.00	RMB1,262,000,000.00
Special rights		The Pre-IPO Investors have not been granted any special rights in relation to our Company.				
<i>Notes:</i>						
(5)	The shares of Xuan Wu subscribed by GL Venture Capital under the 2020 Investment were subject to a lock-up period of 3 years from the date of completing registration procedures with the industry and commerce department for the issuance of shares if the investment took place within 6 months of filing of application for initial public offering by Xuan Wu. The registration procedures with the industry and commerce department was completed on 22 September 2020. Therefore, the shares subscribed by GL Venture Capital under the 2020 Investment are not subject to any lock-up period.					
(6)	The consideration for the Pre-IPO investments paid by each Pre-IPO Investor was in respect of the relevant equity interest in Xuan Wu, and accordingly the valuation represents the valuation of Xuan Wu at the relevant time.					

## HISTORY AND REORGANISATION

### Information regarding the Pre-IPO Investors

#### *GF Qianhe*

GF Qianhe is a limited liability company incorporated in the PRC, and wholly owned by GF Securities. GF Securities is a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Stock Exchange (stock code: 1776) and on the Shenzhen Stock Exchange (stock code: 000776).

#### *GL Venture Capital*

GL Venture Capital is a limited liability partnership established in the PRC and a private equity fund filed with the Asset Management Association of China (filing number: SLU687). It is managed by its general partner Xinjiang Lanshi Venture Capital Limited Partnership (新疆蘭石創業投資有限合夥企業), an Independent Third Party, which is registered with the Asset Management Association of China (registration number: P1008004).

#### *Chengda Coastal*

Chengda Coastal is a limited liability partnership established in the PRC and a private equity fund filed with the Asset Management Association of China (filing number: SD4858). It is managed by its general partner Chengda Coastal Industry (Dalian) Fund Management Company Limited (成大沿海產業(大連)基金管理有限公司), an Independent Third Party, which is registered with the Asset Management Association of China (registration number: P1007964).

#### *Zhuhai Qingshi*

Zhuhai Qingshi is a limited liability partnership established in the PRC, and an employee co-investment scheme of GF Qianhe. It is managed by its general partner, Mr. He Kuanhua, who is a managing director of GF Qianhe and an Independent Third Party.

#### *Guangzhou Zhengxin*

Guangzhou Zhengxin is a limited liability partnership established in the PRC and a private equity fund filed with the Asset Management Association of China (filing number: SLM210). It is managed by its general partner Guangdong Hongzhengtai Capital Management Company Limited (廣東弘正泰資本管理有限公司), an Independent Third Party, which is registered with the Asset Management Association of China (registration number: P1030307).

## HISTORY AND REORGANISATION

### Sole Sponsor's confirmation

On the basis that (i) the consideration paid by each of the Pre-IPO Investors was settled on or before 19 October 2020 which was more than 28 clear days before the date of our submission of the listing application form to the Listing Division of the Stock Exchange in relation to the Listing; and (ii) the Pre-IPO Investors shall have the same right as the other Shareholders after the Listing, the Sole Sponsor has confirmed that the Pre-IPO Investments are in compliance with (i) the Interim Guidance on Pre-IPO Investments (HKEX-GL29-12) issued by the Stock Exchange; and (ii) the guidance letter HKEX-GL43-12 issued by the Stock Exchange.

### COMPLIANCE WITH PRC LAWS, RULES AND REGULATIONS

Our PRC Legal Advisor has confirmed that (i) the PRC companies in our Group as referred to in this section have been duly established, (ii) all necessary regulatory approvals, permits and licences in respect of the incorporation and changes of the PRC companies have been obtained in accordance with PRC Laws, and all the share transfers and changes in the registered capital in respect of our PRC subsidiaries throughout its corporate development as described above have been approved by and/or filed with the relevant PRC government authorities and the procedures involved are in accordance with PRC law and regulations.

### The rules on the mergers and acquisitions of domestic enterprises by foreign investors in China

According to the M&A Rules jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產管理監督委員會), the STA, the CSRC, the SAIC and the SAFE in 2006 and amended in 2009, a foreign investor is required to obtain necessary approvals when it:

- (a) acquires the equity of a domestic non-foreign invested enterprise, or subscribes for the increased capital of a domestic non-foreign invested enterprise, thereby converting the domestic enterprise into a foreign-invested enterprise (the “**Equity Merger**”);
- (b) establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise; or
- (c) purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise (the “**Asset Merger**”).

Where a domestic company, enterprise or natural person intends to acquire its/his/her related domestic company in the name of an offshore company which it/he/she lawfully establishes or controls, the acquisition shall be subject to the examination and approval of the MOFCOM.



## HISTORY AND REORGANISATION

Our PRC Legal Advisor has advised that the control by our Group over the Consolidated Affiliated Entities through Xuantao by way of the Contractual Arrangements does not fall within the Equity Merger or the Asset Merger and therefore, the M&A Rules is not applicable to the Reorganisation. However, there is uncertainty as to how the M&A Rules will be interpreted or implemented and we cannot assure you that relevant PRC governmental authorities, including the CSRC, would reach the same conclusion as our PRC Legal Advisor.

### **ODI approval**

Pursuant to the *Measures for the Administration of Overseas Investment* (《境外投資管理辦法》) promulgated by the MOFCOM, the *Administrative Measures for Overseas Investment of Enterprises* (《企業境外投資管理辦法》) promulgated by the NDRC, the *Circular of SAFE on Further Simplifying and Improving the Direct Investment — related Foreign Exchange Administration Policies* (《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》) promulgated by SAFE and other rules (collectively, “**ODI Rules**”), a domestic institution is required to undergo relevant procedures for offshore investment prior to its overseas direct investment and obtain relevant record-filing, approval, certificate or permit.

As confirmed by our PRC Legal Advisor, Shanghai Fosun, GF Qianhe, Guangzhou Zhengxin, GL Venture Capital, SZR Investment, GF Securities, Chengda Coastal, Zhuhai Qingshi and the ESOP Platforms completed the registration/record-filing with Department of Commerce of Guangdong Province, Guangdong Provincial Development and Reform Commission and the local bank on 2 August 2021, 27 July 2021 and 20 August 2021, respectively in accordance with the ODI Rules in relation to their offshore investments as domestic institutions.

### **SAFE registration in China**

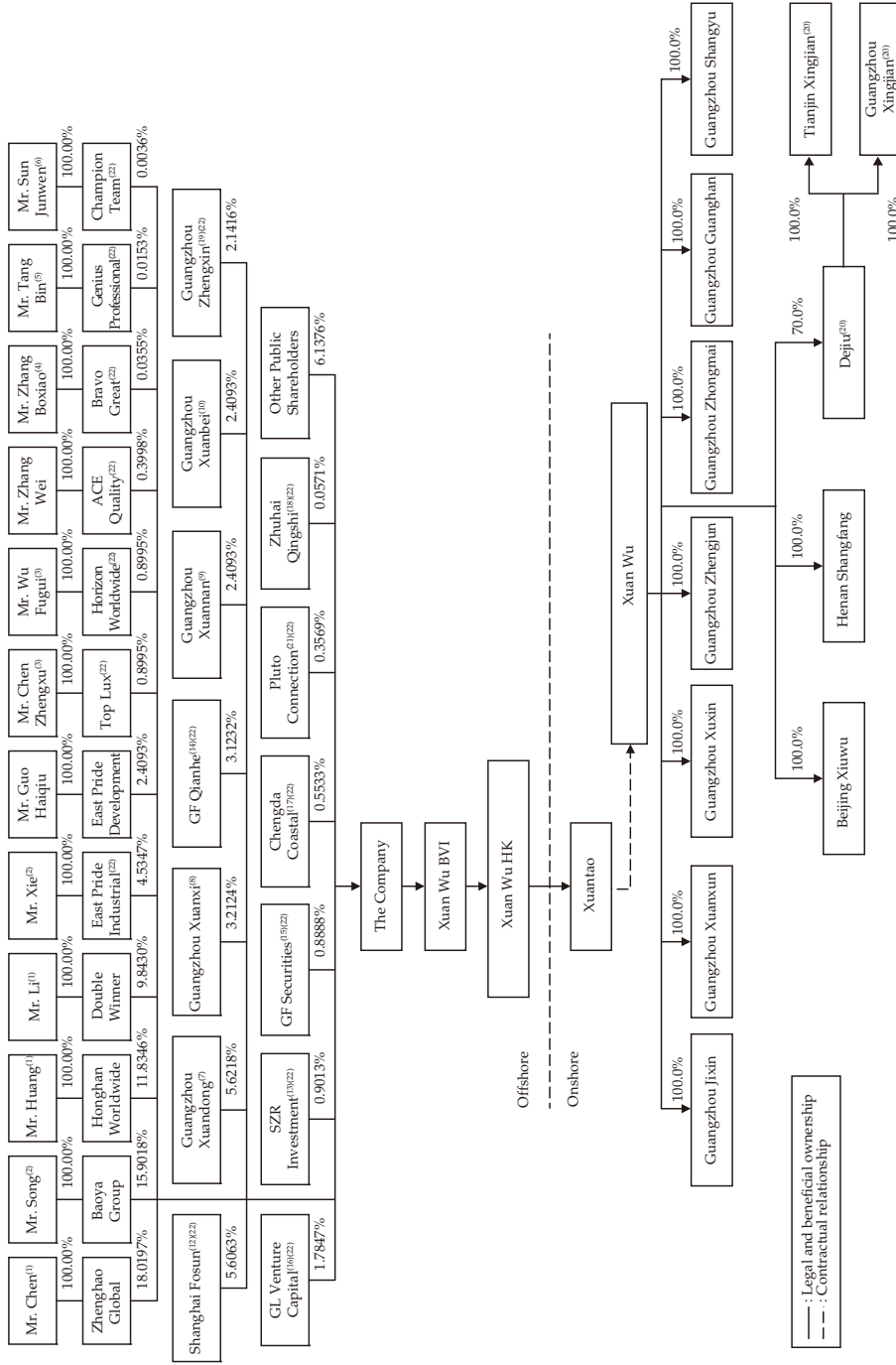
According to Circular 37, a PRC resident must register with SAFE before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing.

As confirmed by our PRC Legal Advisor, Mr. Chen, Mr. Song, Mr. Huang, Mr. Li, Mr. Xie, Mr. Guo Haiqiu, Mr. Chen Zhengxu, Mr. Wu Fugui, Mr. Zhang Wei, Mr. Zhang Boxiao, Mr. Tang Bin, Mr. Sun Junwen, all being PRC residents, are required to obtain the relevant registration with SAFE pursuant to the SAFE Circular 37. On 1 June 2021, they completed their SAFE Circular 37 registration.

As confirmed by our PRC Legal Advisor, we have obtained and completed all requisite approvals and/or registrations in all material aspects from the relevant PRC authorities in respect of the Reorganisation, and the Reorganisation has, in all material aspects, complied with the applicable PRC laws, regulations and rules.

GROUP STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE GLOBAL OFFERING

We expect the corporate and shareholding structure of our Group immediately following completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised) will be as follows:



Notes:

- (1) to (20): Please refer to the diagram contained under the paragraph headed “Our Reorganisation” in this section.
- (21): Please refer to the diagram contained under the paragraph headed “Our Reorganisation - Our Group structure after the Reorganisation” in this section.
- (22): Shares held by each of these Shareholders are considered as part of the public float for the purposes of Rule 8.08 of the Listing Rules and aggregately accounted to 22.2% of the Shares upon Listing.

## **OVERVIEW**

We were the largest domestic intelligent CRM services provider in the PRC with a market share of 13.8% in 2021 in terms of revenue of domestic intelligent CRM services provider in 2021 according to the Frost & Sullivan Report. In terms of revenue of intelligent CRM services provider in 2021, we were the second largest provider of intelligent CRM services in the PRC. Leveraging our cloud and multi-touch communication, AI and DI capabilities, we provide our clients with comprehensive intelligent CRM services covering their all channels and entire business cycle and paving the way for their business. We are a leader in the intelligent CRM services industry with more than 10 years of history. With decade-long in-depth industry knowledge and expertise, as well as our well developed product development platform, we can quickly respond to the complex and evolving clients' demands and develop new solutions and enhanced features to meet their needs.

According to the Frost & Sullivan Report, intelligent CRM services refer to comprehensive CRM services integrated with cloud and communications, AI and DI capabilities, providing both PaaS and SaaS services. Unlike traditional CRM products, intelligent CRM services enable a broad range of clients to manage their critical operations throughout the entire business cycle in a more efficient and effective way. As such, the intelligent CRM services have already been well adopted by several industries, such as FMCG, financial, TMT and Government-related industries.

According to the Frost & Sullivan Report, the penetration rate of the top industries (i.e. financial and TMT) in the intelligent CRM services industry was over 15% in 2021. The market size of the intelligent CRM services market was RMB7.2 billion in 2021 and is expected to reach RMB36.8 billion in 2026. TAM of intelligent CRM services market and CRM-based corporate services in the PRC is expected to reach RMB280.0 billion and RMB890.0 billion respectively in 2026. For details, please refer to the paragraphs headed "Industry Overview — TAM of CRM-based corporate services industry in the PRC" and "Industry Overview — Market size and growth of intelligent CRM services industry in the PRC" in this prospectus.

We strive to help our clients to achieve customer acquisition and to enhance the connection between our clients and their customers. Throughout our history, we have established our brand reputation especially in FMCG, financial, TMT and Government-related industries and have been offering our intelligent CRM services to the leading enterprises in these industries. Our high-quality client base includes leading players across many large scale and high-growth industries such as FMCG, financial, TMT and Government-related industries. For FMCG industry, we covered 28 and 24 of the top 100 players in the food and beverage segments, and 20 and 10 of the top 100 players in the commodity and Chinese liquor segments, respectively, in 2021. For the financial industry, we covered 37 of the top 100 players in the banking segment and 30 of the 138 regulated security companies, respectively, in 2021. For TMT industry, we covered 21 and 15 of the top 100 players in the internet and software segments, respectively, in 2021.

## BUSINESS

Our comprehensive intelligent CRM services can be grouped into two categories: (i) CRM PaaS services; and (ii) CRM SaaS services. With cPaaS platform as a service at the core, our CRM PaaS services encompass various composable functional modules to empower our clients with consolidated communications capabilities mainly in the form of easily-deployed APIs and SDKs. Our CRM SaaS services comprise Marketing Cloud solution, Sales Cloud solution and Service Cloud solution, which integrate the traditional CRM functions with cloud, upgraded and encapsulated communication capabilities as well as AI and DI capabilities to offer our client with a one-stop cloud-based intelligent CRM services throughout their entire business cycle, from initial marketing to after-sales services.

Our CRM PaaS and CRM SaaS services help our clients to manage their entire business cycle's operations, i.e. products display, order fulfilment, all-channel marketing, membership programme management, and business analytics and reporting, in a more efficient and effective way. With our comprehensive services matrix and feature-rich solutions, we can accommodate the disparate demands of a broad range of clients through public cloud, private cloud and hybrid cloud. During our course of business, we engage cloud service providers for the provision of cloud services. Under the relevant service agreements, the cloud service providers are responsible to provide cloud service platform, account management services, training and technical support, and other general maintenance and support services in case any issues arise. With a stable cloud network and infrastructure provided, we are able to build the underlying platforms of our CRM PaaS services and CRM SaaS services, and thereby offering our clients with stable and quality services. As a result, we have maintained a high client retention rate throughout the Track Record Period.

During the Track Record Period, we continued to achieve significant revenue growth. Our revenue was RMB518.8 million, RMB600.2 million, RMB796.8 million and RMB991.9 million for the four years ended 31 December 2021, respectively, representing a CAGR of 24.1% from 2018 to 2021.

We believe that more enterprises will utilise intelligent CRM services to reduce costs and increase management efficiency, therefore, there will be greater demand and more budget for intelligent CRM services in the future. Large-scale enterprises generally have stronger purchasing power with higher demands of communications and CRM services, as well as a larger customer base, and the number of small- and medium-sized enterprises whom will adopt intelligent CRM services is expected to increase with the digital transformation and rising market acceptance of intelligent CRM services. Based on our leading position and advanced technologies, we believe that our business will be benefited from the strong growth of the intelligent CRM services industry in the PRC, TAM of which is expected to grow at a CAGR of 31.3% from RMB71.8 billion in 2021 to RMB280.0 billion in 2026, according to the Frost & Sullivan Report. We also believe that our leading position and growing core client base would enable us to further strengthen our leading market position in the intelligent CRM services industry in the PRC. For details of our core client, please refer to the paragraph headed "Our services — Operating data" in this section.

## **OUR COMPETITIVE STRENGTHS**

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

### **Leader in the intelligent CRM services industry**

According to Frost & Sullivan, we were the largest domestic intelligent CRM services provider in the PRC with a market share of 13.8% in revenue in 2021 while the market size of the intelligent CRM services industry in the PRC amounted to RMB7.2 billion in revenue in 2021.

Recognising the huge market potential in the industry, we have commenced the development of our intelligent CRM services since 2011, long before the influx of capital into the area of mobile internet and building of relevant infrastructures in 2015. We started the initiative in developing the aPaaS platform, a low code platform with high efficiency in integrating our services to accommodate our clients from different backgrounds since 2014, and has been actively developing our AI and DI capabilities since 2016. Our ample knowledge of the industry and resources have placed us in the forefront of the market, and since then we have attracted leading enterprises in their respective industries in the PRC to establish long-term business relationship with us. With the PRC's intelligent CRM market flourishing after 2019, wherein more challenges faced by enterprises have been identified and new solutions have been developed to satisfy the market needs, we have further consolidated our leading position with constant updates and improvements of our services.

We attribute our success and leadership in the industry to our ongoing advancement of intelligent CRM services technology and infrastructure, accumulation of in-depth industry knowledge and expertise, and understanding of our clients' needs over the past years. For details on our technologies, please refer to the paragraph headed "Our technology" in this section. We have demonstrated our leading position in the industry and built strong brand reputation, alongside various successful sales and marketing campaigns and a well-developed service framework to our clients, which have differentiated us from our competitors and laid down a solid foundation for our continuing success. We were ranked first, first and third in financial, TMT and Government-related industries, respectively, in terms of revenue in 2020 in the intelligent CRM services industry according to the Frost & Sullivan Report.

Our leading position in the intelligent CRM services industry has been recognised through numerous awards and accolades since our inception. For example, we were awarded the following:

- 2016 Guangdong Top 10 Internet Innovation Enterprises (2016年度廣東十大互聯網創新企業)

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- Guangdong Provincial Enterprise Technology Centre — November 2019 (廣東省級企業技術中心 — 2019年11月)
- Recognised High-Tech Enterprise (高新技術企業)

For more details of our awards and recognitions, please refer to the paragraph headed “Awards and recognitions” in this section. Our standing and recognition within the industry can be translated into word-of-mouth reputation among our target client groups, which in turn reinforce our clients’ loyalty towards our services.

*Our comprehensive intelligent CRM services with multi-touch communication capabilities covering clients’ all channels and entire business cycle*

As a leader in the industry, we have accumulated extensive experience and expertise, which enable us to develop comprehensive intelligent CRM services covering our clients’ all channels and entire business cycle.

Our comprehensive intelligent CRM services were built upon cloud and multi-touch communication, AI and DI capabilities. With cPaaS platform as a service at the core, our CRM PaaS services encompass various composable functional modules (e.g. voice and text verification code module, notification text and call module, hidden-number module) to empower our clients with consolidated communication capabilities.

Our CRM SaaS services enable clients to manage their entire business cycle’s operations digitally and intelligently, through a unified single back-end platform that serves products display, order fulfilment, all-channels marketing, membership programme management, and business analytics and reporting, which comprises of (i) Marketing Cloud provides clients with digital tool which enables them to market their product to the targeted customers, attract targeted customers’ attention and maintain the relationship between them and their customers through enhanced online campaign; (ii) Sales Cloud provides clients with comprehensive sales management solution which helps to simplify and automate their work flow and help them to achieve customer acquisition and enhance their sales performance; and (iii) Service Cloud which enables clients to improve their customer service quality. Our CRM SaaS services also cover clients’ all channels, especially our Sales Cloud solutions enable them to distribute their products via online channels (e.g. e-commercial platform, WeChat store) or offline channels (e.g. convenience stores, retail stores, supermarkets) to their end customers. As our SaaS services are cloud-based and can be accessed anytime and anywhere through any network devices or online portals, this helps to reduce the time and costs associated with implementation and upgrading of the system, thus delivering streamlined user experience. For details, please refer to the paragraph headed “Our services” in this section.

We believe our recognised leadership position and comprehensive portfolio of services have positioned us well to adapt to the market dynamics and capitalise on the tremendous growth opportunity in the PRC’s emerging and fast-evolving intelligent CRM services industry. During the Track Record Period, we focused on developing our business

by expanding and retaining core clients, 89.2%, 91.1%, 92.8% and 94.6% of our revenue was contributed by our core clients for the four years ended 31 December 2021. In 2019, 2020 and 2021, our annual net dollar retention rate of our core clients was 99.9%, 113.2% and 102.2%, respectively.

For more details on services which we provide, please refer to the paragraph headed “Our services” in this section.

*A highly scalable business model with industry-leading performance*

We operate a highly scalable business model with significant potential growth. We aim to serve our clients’ needs through their entire business cycle, i.e. from the initial contact with their customers to the after sales service. We are able to scale up our business and grow together with our clients by meeting their growing CRM demands in the course of their business expansion with increasing needs of communication, our comprehensive intelligent CRM services based on robust cloud infrastructure allows us to capture the increasing demands on CRM services emerged from clients’ business development. Our diversified services matrix also sets down a solid foundation for our cross-selling opportunities. During the four years ended 31 December 2021, our average price per client was RMB199,700, RMB213,700, RMB296,200 and RMB375,700, respectively. For the four years ended 31 December 2021, the total revenue contributed by the clients which purchased both our CRM PaaS and CRM SaaS services in the same year increased from RMB235.2 million in 2018 to RMB255.1 million in 2019, and to RMB335.9 million in 2020 and further to RMB449.1 million in 2021. For the four years ended 31 December 2021, 306, 345, 357 and 345 of our clients purchased more than one type of services (i.e. cPaaS, Marketing Cloud, Sales Cloud or Service Cloud) which accounted for 11.8%, 12.3%, 13.3% and 13.1%, respectively, of our total number of clients during the same year. During the Track Record Period, our Marketing Cloud is often cross-sold with our CRM PaaS services as the Group has been introducing new service every year since 2019, e.g. Cloud communication, ICC module, IoT (internet of things) and DMP (Data Management Platform), new services expanded the application scenarios of Marketing Cloud, which fuel the stable growth of client base in the Track Record Period.

Apart from maximising the lifetime value of every client, we are also able to rapidly scale our business among new clients within the same industry. As we have been cultivating in FMCG, financial, TMT and Government-related industries for average of ten years, respectively, we have in-depth knowledge about challenges faced by our clients. As we serve more clients from the same industry, we can minimise marginal costs and achieve greater economies of scale by leveraging replicable technology infrastructure and experience. Due to our ability in providing clients with cost effective services, we could capture business opportunities from both large-sized enterprises and small- to medium-sized enterprises. To date, we have accumulated extensive experience in serving enterprises from various industries, including FMCG, financial, TMT and Government-related industries. For FMCG industry, we covered 28 and 24 of the top 100 players in the food and beverage segments, and 20 and 10 of the top 100 players in the commodity and Chinese liquor segments, respectively, in 2021. For the financial industry, we covered 37 of the top 100 players in the banking segment and 30 of the 138 regulated security companies, respectively, in 2021. For TMT industry, we covered 21 and 15 of the

top 100 players in the internet and software segments, respectively, in 2021. By serving the leading enterprises from various industries, we enter into a virtuous cycle wherein we accumulate our experiences, resources and reputation, which helps us not only maintain our advantage in serving leading enterprises but also set good practice for serving small- and medium-sized enterprises from these industries. For details on our experiences on serving leading enterprises, please refer to the paragraph headed “Our services” in this section.

*Strong product development and technology abilities*

We believe that continuous development and by rolling out new features, functions, modules and solutions which are tailored to the needs of our clients would enable us to compete successfully and to distinct us from other market competitors in the industry. Therefore, continuous research and development is crucial to our future success. Our research and development team closely collaborates with our client-facing sales team on collecting and analysing client feedbacks on our existing services, and to reflect our clients’ feedback or satisfy our clients’ need by designing new solutions or adding advanced or enhanced features into the existing solutions.

We have developed the aPaaS platform, a low code development platform, which supports the efficient and highly integrated development of the system for our solutions to our clients according to their distinct industry needs. Through our aPaaS platform, we can save development costs and enjoy more reliable quality during development as compared with traditional development. Furthermore, we have developed a computer vision related AI recognition engines based on machine learning, deep learning, image segmentation <sup>(Note 1)</sup> and Optical Character Recognition <sup>(Note 2)</sup> (“OCR”), and an intelligent decision algorithm <sup>(Note 3)</sup> based on DI, i.e. utilised in AI camera installed in vending machines which enable us to process over 1,000 AI recognition and DI decisions per day. By leveraging our data technologies, we can help our clients to formulate complete profiles of distributors, terminal stores and target customer to achieve targeted marketing. We are currently capable of recognising over four million photos per day. We believe by applying these advanced technologies, we could provide stable and reliable intelligent CRM services to our clients, which enable them to save a tremendous amount of labour costs, and improve communication efficiency and experience, as well as management and operation efficiency.

Our research and development abilities have been recognised by the competent regulatory authorities. For example, Xuan Wu, one of our Consolidated Affiliated Entities, has been accredited with “National High and New Technology Enterprise Certificate (國家高新技術企業證書)” and “National Torch Plan Key High and New Technology Enterprise Certificate (國家火炬計劃重點高新技術企業證書)”. Our track record of product and technology innovation is supported by our strong research and development team, consisting of 268 employees as at the Latest Practicable Date, representing 36.2% of our total number of employees, and our research and development expenses amounted to RMB40.8 million, RMB50.6 million, RMB53.0 million and RMB66.1 million for the four years ended 31 December 2021 respectively. As at the Latest Practicable Date, we had 202 registered invention patents and computer software copyrights relating to AI, DI and our other intelligent CRM services.



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### *Committed, experienced and insightful founders and management team*

We are led by an insightful and experienced founder team and a senior management team, both of whom are committed to providing digital and strategic transformation of CRM systems through technology innovation to our clients. They have extensive industry and management experiences, knowledge of market trends and policies, and proven execution ability.

#### *Notes:*

- (1) Image segmentation is a technology of dividing an image into several regions with unique properties, which is a key step from image processing to image analysis.
- (2) Optical Character Recognition is a technology examining the text of a document and translating the characters into code that can be used for data processing.
- (3) Intelligent decision algorithm means analysing and organising the data retrieved from the camera with super model and video recognition algorithm placed based on image recognition technology and DI, to assist the management in making market decisions.

Our insightful founders, Mr. Chen Yonghui, Mr. Huang Fangjie and Mr. Li Hairong have, on average, around 20 years of experience in the industry and management field, and all of them have dedicated to our Group since its inception in 2010. Under their leadership, we established a senior management team which has on average over 19 years of experience in the information and communication technology industry and the CRM services industry. For details on the background, experience and qualification of our founders and senior management team, please refer to the section headed “Directors and Senior Management” in this prospectus.

We believe that our founder team and senior management team have been crucial to our success. With their strategic foresight, strong execution abilities and in-depth industry knowledge and experience, they are indispensable to the formulation and implementation of sound business strategies as well as the capturing growth opportunities. We also value our employees in different roles and strive to provide compensation scheme which creates incentives and motivation.

### **OUR GROWTH STRATEGIES**

We intend to continuously innovate and expand our solutions to empower digital transformation and enhance operational productivity and user experience for our clients. To this end, we intend to leverage our existing strengths and pursue the following strategies.

#### **Develop and expand our client base by ongoing cultivation and vertical expansion in the key industries**

According to the Frost & Sullivan Report, the top industries in the intelligent CRM services are financial and TMT with penetration rate of 16.0% in 2021, which is expected to increase to 25.0% in 2026. During our 10 years of practices, we have been serving our clients in FMCG, financial, TMT and Government-related industries and we have

established ourselves as a leading services provider in the intelligent CRM services industry specialising in these industries. Leveraging our accumulated industry expertise, we will continue to cultivate and expand our presence in the key industries and we intend to serve more clients from other industries with similar characteristics to lower the additional costs in industry-related customisation as we scale (i.e. healthcare and manufacturing industries). We intend to achieve this by increasing our marketing expenses to enhance our brand awareness through organising a range of industry campaigns, such as launch of events, exhibitions, visits to industry leading enterprises, seminars and conferences to promote our CRM services and to identify potential clients within different industries. We plan to enlarge our sales team by recruiting more talents with industry expertise and to strengthen business relationships and network. We also plan to leverage our success and experience in existing verticals and expanding into new key industries. For details, please refer to the paragraph headed “Future Plans and Use of Proceeds — Use of proceeds” in this prospectus.

Apart from cultivating in industry leading clients, we also intend to expand to small- to medium-size enterprises, especially enterprises from FMCG industry. We intend to achieve this by enhancing our Sales Cloud functions and expect a higher gross profit margin. For details, please refer to the paragraph headed “Our growth strategies — Strengthening and extending our existing CRM SaaS services by continuous innovation and iteration” in this section.

**Strengthening and extending our existing CRM SaaS services by continuous innovation and iteration**

We will continue to strengthen and extend our existing CRM SaaS services to cater with evolving clients’ needs. Leveraging our extensive industry experience and expertise accumulated over the past 10 years, we will further our understanding of business models of participants in various industries to develop respective advanced and innovative solutions, which is critical to consolidate our competitiveness. We plan to extend our existing services by enriching the features, functions and interfaces, as well as improving the abilities of our services, by way of continuous innovation iteration.

We intend to focus on improving our AI and DI capabilities and incorporate these to further improve the operational productivity and user experience for clients who opt for our CRM SaaS services amidst the evolving business realities by expanding and enhancing the performance of our solutions in different business scenarios.

This growth strategy will fully cover our three clouds of applications:

- *Marketing Cloud:* We will develop and improve continuously in our data storage capacity and real-time ability with an aim to provide our clients with an accurate and automatic marketing service;
- *Sales Cloud:* We will develop and expand our business scenario coverage and to invest and develop AIoT equipment and related application infrastructure with an aim to improving our clients’ sales efficiency; and

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- *Service Cloud:* We will enhance our AI capability to be applied to our Service Cloud solution with an aim to benefiting our clients from increased satisfactory level of after sales service provided to their customers.

### **Continue to invest in technology and infrastructure**

According to Frost & Sullivan, continuous technological developments in the fields of AI, DI and cloud computing will be the key to the growing opportunities for the intelligent CRM services industry and market players equipped with strong technological capability will be able to acquire new clients and retain existing clients. We intend to continue to invest in research and development in order to remain at the forefront of the intelligent CRM services industry, and drive the digital and intelligent transformation of our clients' business systems. In this respect, we plan to bring in more expertise to develop more productive and controllable aPaaS and cPaaS platforms. We will also focus on AI and DI capabilities and incorporate these technologies to provide integration of our capabilities and solutions into our clients' business systems. We will also bring in more expertise in (a) computer vision, natural language processing, edge computing and algorithm engineering to provide AI capability to our clients; and (b) big data structure, data analysis/modeling, machine learning and data intelligence to develop innovative DI capability for our clients, thus maintaining our competitiveness in the industry. Ultimately, we strive to build up a rigid, efficient CRM SaaS service engine with all three capabilities (i.e. communication, AI and DI) equipped in it, thus facilitating the needs of various industries in the PRC. In order to attract and retain top talents for the continuous innovation of our business, we intend to continue to invest in and expand our research and development team, to recruit more talents in various areas. For details, please refer to the paragraph headed "Future Plans and Use of Proceeds — Use of proceeds" in this prospectus.

### **Pursuing strategic investments and acquisitions**

We will continue to selectively pursue strategic investments and acquisitions that would enable us to enrich our solutions, strengthen our technologies and expand our client base. As such, we intend to initiate strategic investments and acquisitions that create synergies with the provision of our intelligent CRM services, benefiting us in cultivation and vertical expansion into new clients' industries and providing us with technologies in assisting our clients with their entire business cycle management. As at the Latest Practicable Date, we had not identified any strategic partnerships or acquisition targets. For details, please refer to the paragraph headed "Future Plans and Use of Proceeds — Use of proceeds" in this prospectus.

## **VALUE PROPOSITIONS**

### **We connect our suppliers and clients by consolidating their supply and demand**

As the telecommunications network operators in the PRC typically operate in separate entities, through several provincial branches, it is timely and costly for our clients to directly manage the telecommunication services provided by various entities of

the telecommunication network operators on their own. We have been collaborating with the major telecommunication network operators and established a platform that consolidated the telecommunication resources provided by different telecommunication network operators located in various provinces in the PRC. Thus, we can offer one-stop services for our clients to access and manage the consolidated telecommunication resources through our platform. Similarly, we consolidated the demand for communication services from vast end customers of various size. The telecommunication network operators can engage us instead of conducting business with and serving thousands of clients in the course of providing their telecommunication resources.

### **We create communication demands by offering innovative CRM tools**

Traditional CRM services typically can only cater users' general needs and have low operating efficiency as they are lack of advanced data base and strong storing, computing and modelling abilities. As opposed to the traditional CRM services, we offer our clients with diversified range of services with customisation option powered by aPaaS platform, which can fit and address clients' needs and help clients in achieving their goals or objectives. We believe that our ability in providing our clients with customised services that they can deploy easily, rapidly and cost efficiently, which differentiated us from our competitors.

Our intelligent CRM services are designed for easy deployment and management across multiple locations and on multiple devices. Our clients can get access to our scalable and reliable services without making large and risky upfront investment in installing or maintaining servers, network equipments, security products or other infrastructure hardware and software necessary. Moreover, all upgrades are implemented on our servers so that all our clients would benefit from the upgrades immediately. We believe the average time required to deploy our intelligent CRM services is significantly shorter than that required for deployment of traditional CRM software, while our clients can enjoy the improvement from sales automation, better customer service and support and more efficient marketing processes by leveraging our intelligent CRM services.

Furthermore, our comprehensive portfolio of services, featuring various APIs and SDKs, enable voice and messaging functions that can be readily integrated into our clients' business systems and applications on a quick and seamless way, and thus save our clients the hassle of seeking multiple providers for different communications needs. Our customisable options and multi-touch intelligent CRM services also allow our clients in different industries to manage their entire business cycle's operations digitally and intelligently through a single back-end platform that serves products display, order fulfilment, all-channel marketing, membership programme management, and business analytics and reporting. Ultimately, our clients could enjoy great flexibility, selecting communication functions based on their specific needs, which improved their flexibility of without having to purchase pre-packaged bundle of services.

Lastly, we are well equipped with capabilities in providing targeted solutions to our clients from different industries. For our FMCG clients, we offer them business supports throughout their sales cycle via the application of AI capabilities. For our financial clients, we offer them with secured and integrated communication services for their intra- and extra-organisational purposes. For our TMT clients, we offer them with a centralised communication infrastructure platform for their intra- and extra-organisational purposes. For our Government-related clients, we offer them with secured communication services with localised deployment.

### **We offer a secured and reliable platform for our clients and their customers to interact on**

We offer an extensive portfolio of intelligent CRM services that meet the needs of businesses of any size. Our services support three key functional areas within CRM — marketing, sales and customer service and support, covering clients' entire business cycle. Furthermore, we offer highly compatible and scalable services which can be accessed through a variety of devices, including laptop computers, cell phones and other wireless devices. These services are protected by our comprehensive security system, including firewalls, intrusion detection systems and encryption for transmissions over the internet. We have an independently developed Alarm and Maintenance System (“AMS”) platform (a platform that supports deployment of public cloud, private cloud and hybrid cloud) enables our clients to (i) monitor and maintain their basic infrastructure, software and business operation system on an ongoing basis; and (ii) determine the scope of monitoring which can be shown on an interface. Our AMS platform would not only trigger alerts when incidents occur, but also able to diagnose anomalies and support system maintenance during contingency such as system reboot and network recovery, which ensures the reliability and sustainability of our client's business operation system. With both the AMS platform and our policy of segregating our clients' data therein, we are confident that this secured platform can foster protection of data privacy. For details on our policies regarding data privacy and data security, please refer to the paragraph headed “Data privacy and data security” in this section. Last but not the least, our services are highly configurable, enabling our clients to tailor the appearance, standard settings, workflow and other characteristics in their systems without the use of excessive IT resources or consultants.

### **We help telecommunication network operators to better serve their end customers**

Since the telecommunication network operators may from time to time not being able to cover the needs of our clients and their customers, as they mainly focus on providing telecommunication resources, i.e. traffic, but not other CRM services, we are required to provide CRM PaaS services or CRM SaaS services while they provide telecommunication resources to our client and their customers, as such we would have to cooperate and serve our clients and their customers (the “Mutual Clients”) and to help the telecommunication network operators to develop their business. In light of our cooperation, we, as a leading CRM services provider in the PRC, would enable the telecommunication network operators to achieve customers' recognition and increase their business volume by providing reliable and high-quality services and solutions to the Mutual Clients. For details of our cooperation with major telecommunication network operators, please refer to the paragraph headed “Telecommunication services” in this section.

## **OUR SERVICES**

Our comprehensive intelligent CRM services can be grouped into two categories: (i) CRM PaaS services; and (ii) CRM SaaS services both of which are built on and share the same technological infrastructure:

- Our CRM PaaS services comprise cPaaS platform and AI and DI capabilities. Our cPaaS platform encompasses various composable functional modules (e.g. voice and text verification code module, notification text and call module, hidden-number module) to empower our clients with consolidated communication capabilities mainly in the form of easily-deployed APIs and SDKs, thus enabling them to utilise our communication capabilities as a service in an easy, efficient and flexible way. Our CRM PaaS services are also integrated with AI and DI capabilities which we have developed for the purposes of our intelligent CRM services.
- Our CRM SaaS services comprise Marketing Cloud, Sales Cloud and Service Cloud, which integrate the traditional CRM functions with cloud, upgraded and encapsulated communication capabilities as well as AI and DI capabilities to offer our clients a one-stop intelligent CRM services throughout their entire business cycle, from initial marketing to after-sales services. CRM PaaS services provide underlying communication, AI, and DI capabilities for CRM SaaS services, facilitating and enhancing the functions of Marketing Cloud, Sales Cloud, and Service Cloud. For example, a manufacturer client of Sales Cloud would further benefit from leveraging our AI & DI capability to improve sales efficiency and better utilise sales data. On the other hand, our CRM SaaS services increase the usage of CRM PaaS capabilities through providing more application scenarios. For example, a local bank in PRC was initially a client of our cPaaS services while subsequently purchased our Marketing Cloud solution, which help promote their products or services to targeted audiences precisely, and eventually contributed to a higher volume of message sent by the client and more revenue for our cPaaS service.

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The following tables set out our revenue, cost of sales, gross profit and gross profit margin breakdown by type of services we rendered and operating data during the Track Record Period:

	For the year ended 31 December							
	2018		2019		2020		2021	
	% of total		% of total		% of total		% of total	
	Revenue	revenue	Revenue	revenue	Revenue	revenue	Revenue	revenue
	<i>RMB'000</i>		<i>RMB'000</i>	<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>
CRM PaaS services	201,436	38.8	301,518	50.2	460,847	57.8	554,643	55.9
CRM SaaS services	317,399	61.2	298,683	49.8	335,915	42.2	437,298	44.1
<b>Total</b>	<b>518,835</b>	<b>100.0</b>	<b>600,201</b>	<b>100.0</b>	<b>796,762</b>	<b>100.0</b>	<b>991,941</b>	<b>100.0</b>

	For the year ended 31 December							
	2018		2019		2020		2021	
	% of total		% of total		% of total		% of total	
	Cost of	cost of	Cost of	cost of	Cost of	cost of	Cost of	cost of
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CRM PaaS services	142,076	42.6	226,448	56.1	396,863	65.8	494,056	65.0
CRM SaaS services	191,258	57.4	177,059	43.9	206,106	34.2	265,493	35.0
<b>Total</b>	<b>333,334</b>	<b>100.0</b>	<b>403,507</b>	<b>100.0</b>	<b>602,969</b>	<b>100.0</b>	<b>759,549</b>	<b>100.0</b>

	For the year ended 31 December							
	2018		2019		2020		2021	
	Gross		Gross		Gross		Gross	
	Gross	profit	Gross	profit	Gross	profit	Gross	profit
	<i>RMB'000</i>	margin	<i>RMB'000</i>	margin	<i>RMB'000</i>	margin	<i>RMB'000</i>	margin
		(%)		(%)		(%)		(%)
CRM PaaS services	59,360	29.5	75,070	24.9	63,984	13.9	60,587	10.9
CRM SaaS services	126,141	39.7	121,624	40.7	129,809	38.6	171,805	39.3
<b>Total</b>	<b>185,501</b>	<b>35.8</b>	<b>196,694</b>	<b>32.8</b>	<b>193,793</b>	<b>24.3</b>	<b>232,392</b>	<b>23.4</b>

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### Operating data

	For the year ended 31 December			
	2018	2019	2020	2021
Number of clients	2,598	2,809	2,690 <sup>(Note 6)</sup>	2,640 <sup>(Note 7)</sup>
Number of core clients <sup>(Note 1)</sup>	199	231	266	325
Average price per clients <sup>(Note 2)</sup>	RMB199,700	RMB213,700	RMB296,200	RMB375,700
Average price per core clients <sup>(Notes 1 and 2)</sup>	RMB2,325,000	RMB2,366,200	RMB2,780,700	RMB2,887,400
Clients' retention rate <sup>(Note 3)</sup>	NA	73.3%	68.5% <sup>(Note 6)</sup>	66.6% <sup>(Note 7)</sup>
Core clients' retention rate <sup>(Notes 1 and 3)</sup>	NA	95.0%	91.3% <sup>(Note 6)</sup>	86.1% <sup>(Note 7)</sup>
Clients' net dollar retention rate <sup>(Notes 4 and 5)</sup>	NA	107.0%	123.1%	109.4% <sup>(Note 7)</sup>
Core clients' net dollar retention rate <sup>(Notes 1 and 4)</sup>	NA	99.9%	113.2%	102.2% <sup>(Note 7)</sup>
% of revenue contribution by core clients <sup>(Note 1)</sup>	89.2%	91.1%	92.8%	94.6%

*Notes:*

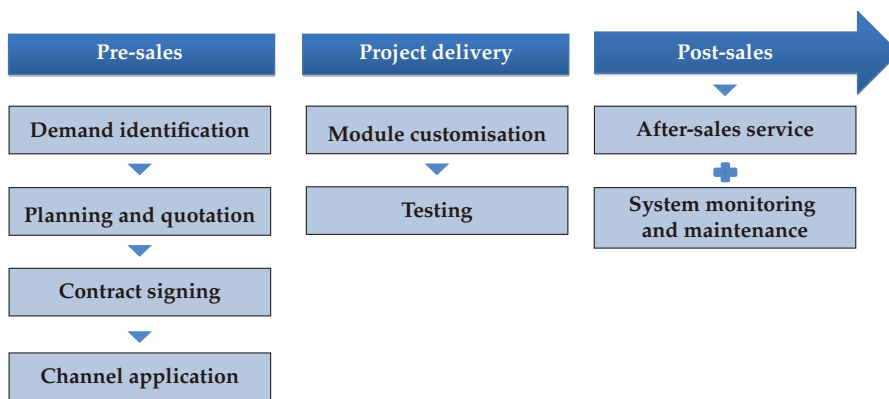
- (1) For the four years ended 31 December 2021, core clients are defined as clients contributing RMB300,000 or above of revenue for the relevant year.
- (2) For the four years ended 31 December 2021, the average price per client refers to the average revenue generated per client for the year.
- (3) For the four years ended 31 December 2021, clients' or core clients' retention rate refers to the percentage of clients or core clients for the immediately preceding year which remained to be our clients or core clients for the current year.
- (4) For the four years ended 31 December 2021, core clients' net dollar retention rate refers to the ratio of revenue contribution of the core clients in the immediately preceding year to the revenue contribution of the same group of clients for the current year. The clients' net dollar retention rate for the current year is calculated by using the revenue attributable to the identified group of clients in the current year as the numerator and the revenue attributable to the same group of clients in the immediate preceding year as the denominator.
- (5) For the four years ended 31 December 2021, clients' net dollar retention rate refers to the ratio of revenue of clients in the immediately preceding year to the that for the current year.
- (6) Due to the optimisation of our client portfolios and revenue mix in CRM PaaS services and our strategic focus on our CRM SaaS services and expanding our CRM SaaS client base, our number of clients, clients' retention rate and core clients' retention rate decreased from 2019 to 2020.
- (7) Due to the optimisation of our client portfolios and revenue mix in CRM PaaS Services and structural adjustment of client portfolios in Service Cloud, our number of clients, clients' retention rate, core clients' retention rate, clients' net dollar retention rate and core clients' net dollar retention rate decreased from 2020 to 2021 while maintaining growth in terms of average price per clients and per core clients respectively. In addition, clients' net dollar retention rate is calculated by total revenue contribution of retained clients in the current year divided by the total revenue contribution of the same group of clients in the immediately preceding year. Due to the optimisation of our client portfolios and revenue mix as mentioned herein, total revenue attributable to the identified group of clients decreased in 2021 compared to the total revenue attributable to the same group of clients in 2020. For details, please refer to the paragraphs headed "Financial Information - Description of major components of our results of operations — Revenue — CRM PaaS services" and "Financial Information — Description of major components of our results of operations — Revenue — CRM SaaS services" in this prospectus.



**CRM PaaS services**

With cPaaS platform as a service at the core, our CRM PaaS services encompass various composable functional modules (e.g. voice and text verification code module, notification text and call module, hidden-number module) to empower our clients with consolidated communication capabilities mainly in the form of easily-deployed APIs and SDKs. Our cPaaS platform allows our clients to access and utilise our communication capabilities in an easy, efficient and flexible way which suits their communications needs without incurring enormous costs in establishing and maintaining their own communication infrastructure.

Our CRM PaaS services are also integrated with AI and DI capabilities which we have developed for the purposes of our intelligent CRM services. We believe the convenience of our consolidated multi-touch communication capabilities and AI and DI capabilities has resulted in clients' stickiness to our CRM PaaS services and have been translated into actual revenue.

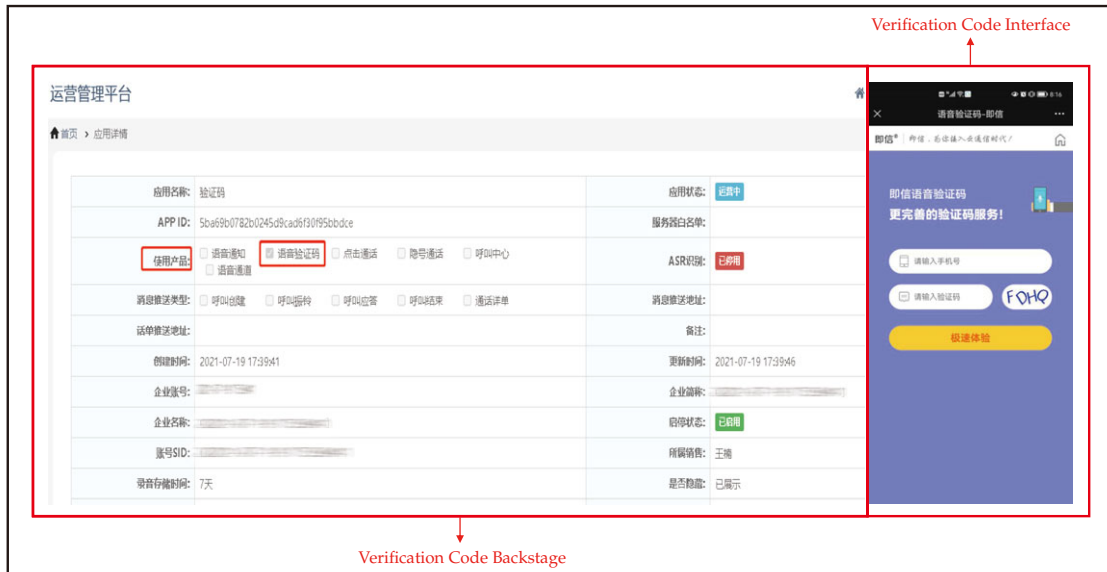


The above flow chart illustrates the standard business process for our CRM PaaS services. Before formulation of our plans and quotations, we would conduct research and attend to discuss with our clients to identify their needs. After formulating plan and quotation, we would sign contracts with our clients and apply for the relevant channel resources. We may need to customise our existing modules as per our clients' demands, and to run test before delivery. After delivery of our CRM PaaS services to our clients, we would continue to monitor and maintain the systems as well as to provide after sales services, including providing training sessions, and to provide constant updates to the systems.

cPaaS platform

Our clients typically have large volume of demands for intra- and extra-organisational communications, which are not often addressed effectively under their own arrangements with telecommunication network operators in the PRC. According to Frost & Sullivan, provincial branches of major telecommunication network operators in the PRC typically conduct business as separate entities, which means our clients with nationwide business operations often have to work with a number of the provisional branches concurrently, which increase their costs in communication. By collaborating with the telecommunication network operators in the PRC and having entered into business agreements with their provincial branches covering major geographical areas in the PRC, we are able to consolidate our communication resources and enable our clients to access and utilise our resources via our cPaaS platform, which is a combination of our voice channel resources, communication network, and call and message functions. We have several feature-rich functional modules offered under our cPaaS platform, thus our clients can integrate the module(s) according to their needs in the form of APIs and SDKs, into their business systems. As such, our cPaaS platform allows our clients to access and utilise our communication capabilities in an easy, efficient and flexible way which suits their communications needs without incurring enormous costs in establishing and maintaining their own communication infrastructure.

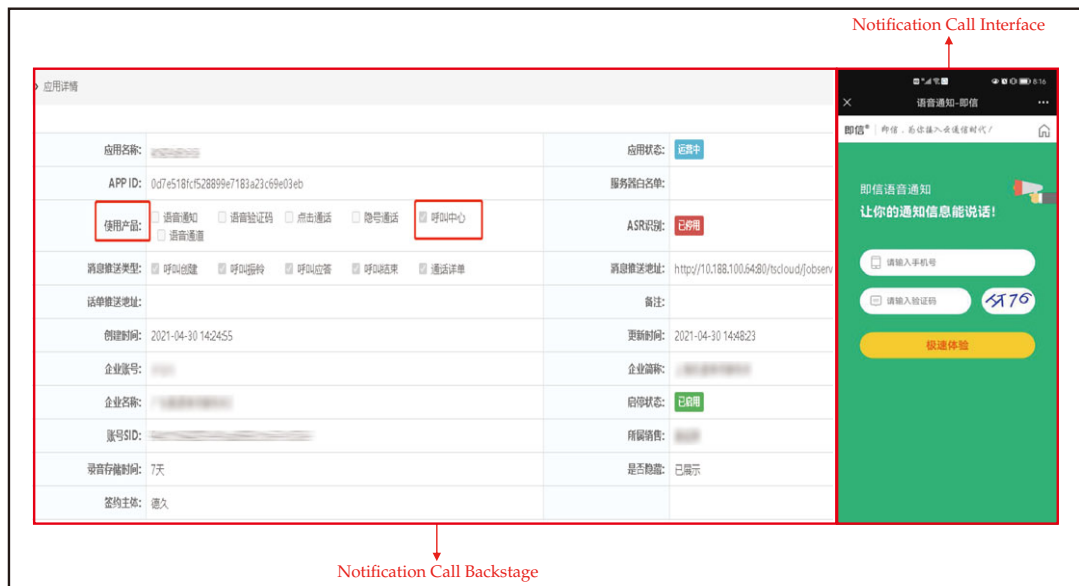
Verification code module



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We offer our verification code module to our clients to improve their efficiency by reducing the chance of not being able to reach their end customers. This module can be readily integrated into our clients' PC ends and mobile APPs or directly deployed in our cloud-based CRM platform. For example, an end customer may not receive his/her SMS verification code when logging into the online bank account due to the issue with his/her own telecommunication network operator's messaging channel. Our voice verification code module can solve this issue for our banking clients and their end customers, as the end customers of our banking clients can receive their verification codes via an automated voice phone call and complete their log-in steps with voice verification code modules.

### Notification module



Our notification module is an automation function which can be triggered in certain scenarios. This module will detect the applicable scenario by following the algorithm which we customise for our clients. By integrating this module, the system we establish for our client will initiate phone calls and text messages automatically to notify the end customers with certain content designated by our clients. For example, food delivery platform operators can inform their customers when the orders are in transit or pending for delivery by way of notification calls and/or text messages. This module would not only enable our clients to facilitate the communication between them and their customers during the course of delivery, but it would also help reduce the number of complaints in relation to missing orders or items from the end customers as the end customers would be able to learn about their order status throughout the process.

Hidden-number module



Privacy is a fundamental and indispensable concern in the modern society. To cater for such concern, the hidden-number module developed by us has been selected by many of our clients from the transportation and logistics industry. For example, driver and passenger may utilise the call function in the ride-hailing application for the purposes of exchanging information regarding the pick-up location and routes. Once an order has been placed, a virtual phone number would be created and allocated to the said order. The driver can then contact his passenger, or vice versa, through the virtual phone number, to preserve their privacy without compromising efficient communication. This module creates a temporary communication channel between the driver and passenger during the whole trip, and neither parties would be able to contact each other further through the virtual number upon completion of the journey.

Channel resource module

We provide three types of channel resources to our clients, namely the “95xxx” channel for corporate service hotlines, the DID (Direct Inward Dialling) channel mainly for financial services companies, and the channel for the hidden-number module and marketing campaigns. The five-digit service line, started with “95” which is a unique telecommunication resource commonly used by state-owned banks in the PRC. As such, with the corporate service hotline “95xxx” provided by us, our clients can increase their corporate image and credibility upon calling their end customers, making their end customers more willing to answer their marketing or sales calls.

*AI and DI capabilities*

Leveraging our comprehensive multi-touch communication capabilities which are essential for real-time data transmission, we have developed our AI and DI capabilities with self-learning and analysis abilities for the purposes of our intelligent CRM services.

Our AI and DI modules can be easily integrated into our solutions as part of our intelligent CRM services. For instance, the AI module can be provided to our client who requires image recognition function (such as monitoring the goods display), and the Group uses IoT technology to connect all devices linked to clients' systems. Once the AI module begins its scanning and recognition process, the image information of the goods will be transferred real-time back to our clients' CRM SaaS systems for further analysis. Our AI module includes two self-developed computer visual recognition engines called "RetailVision" and "ManuVision" (the "**Vision Engines**"), covering retail and production scenario applicable to enterprises of various industries and they allow our clients to utilise these Vision Engines together with other DI related modules to improve their sales management as well as retail store management. The analysed data could also help our clients to assess the effectiveness of their sales and marketing strategy.

The "RetailVision" is a visual recognition engine applied to detect the position of the target product by obtaining the display image and extracting the position information of the product from the image. It is mainly used to determine the prime display position of products on store shelves, refrigerators and stacks. The display position of the product in the retail store is closely related to the sales volume of FMCG. Products displayed in the "golden position" generally sell quicker than the others. Therefore, FMCG manufacturers need to monitor their products' display positions and sales in real time in order to adjust the display position of their products based on the actual sales volume. The "ManuVision" on the other hand is a visual recognition engine used to identify quantity and quality of inventory. It is used to collect inventory related data (e.g. product name, category and quantity) and storage related data (e.g. storage saturation rate and empty storage space) in a systematic way. The data will be transmitted in real time to our system platform for reporting and further analysis. In addition, these Vision Engines are able to profile 10 million items per day, produce recognition results of an accuracy rate up to 99% within one second. With such Vision Engines, we can offer clients with intelligent decision algorithm based on DI that can be utilised in AI camera in vending machines to recognise goods display and change and record sales directly when end customers pick up any goods therefrom.

We are also capable of data integration, development, visualisation and analysis to improve our clients' operational efficiency. Our DI capabilities can be accessed through private cloud, public cloud or hybrid cloud and integrated into our solutions as part of our intelligent CRM services. During the daily business operation, our clients accumulate an enormous amount of data which is disorganised and messy. Our DI capability can assist in organising the data provided by our clients and generating visualised DI reports which can demonstrate the operating data through a highly customised graphic interface. In order to generate DI reports, clients' operating data is uploaded and synchronised from their OA system. We then process, transform and load the data onto our analytic model, which can analyse the data collected and export reports which contain all relevant data of the indicators required by clients. Leveraging our data processing capability, we offer not only sales data analysis, i.e. analysis of sales of specific product, effectiveness of a marketing event and analysis of sales conducted via distributors and online sales channels, but also a comprehensive analysis which covers data sourced from the client's entire sales cycle and all aspects within their business operation model for instance, human resources data, terminal store data, supply chain data, cost data, capital data, and

## BUSINESS

other business data. We believe our clients can generate customised and visualised DI reports that suit their distinct business need, which empowers them to adjust or optimise their sales and marketing strategies in a timely manner based on the latest market and sales data available.

### Operating data

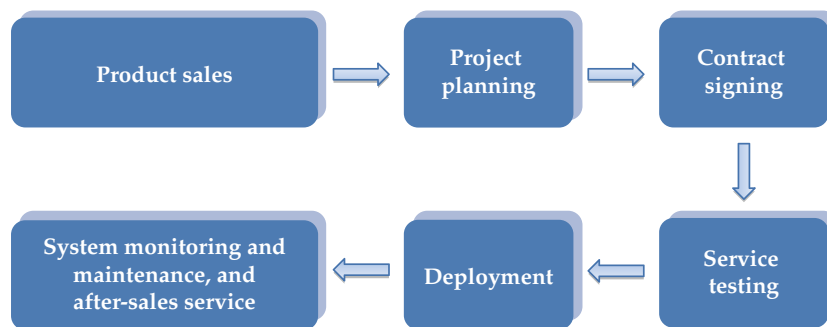
CRM PaaS services	For the year ended 31 December			
	2018	2019	2020	2021
Number of clients	1,933	1,871	1,632 <sup>(Note 5)</sup>	1,438 <sup>(Note 6)</sup>
Number of core clients <sup>(Note 1)</sup>	94	110	130	146
Average price per client <sup>(Note 2)</sup>	RMB104,200	RMB161,200	RMB282,400	RMB385,700
Average price per core clients <sup>(Notes 1 and 2)</sup>	RMB1,811,100	RMB2,496,700	RMB3,343,700	RMB3,627,900
Core clients' retention rate <sup>(Notes 1 and 3)</sup>	NA	95.7%	89.1% <sup>(Note 5)</sup>	83.1% <sup>(Note 6)</sup>
Core clients' net dollar retention rate <sup>(Notes 1 and 4)</sup>	NA	135.7%	94.2% <sup>(Note 5)</sup>	99.0%
% of revenue contribution by core clients <sup>(Note 1)</sup>	84.5%	91.1%	94.3%	95.5%

#### Notes:

- (1) For the four years ended 31 December 2021, core clients are defined as clients contributing RMB300,000 or above of revenue for the relevant year.
- (2) For the four years ended 31 December 2021, the average price per client refers to the average revenue generated per client for the year.
- (3) For the four years ended 31 December 2021, core clients' retention rate refers to the percentage of core clients for the immediately preceding year which remained to be our core clients for the current year.
- (4) For the four years ended 31 December 2021, core clients' net dollar retention rate refers to the ratio of revenue contribution of the core clients in the immediately preceding year to the revenue contribution of the same group of clients for the current year. The clients' net dollar retention rate for the current year is calculated by using the revenue attributable to the identified group of clients in the current year as the numerator and the revenue attributable to the same group of clients in the immediate preceding year as the denominator.
- (5) Due to our optimisation of client portfolio and revenue mix in CRM PaaS services (i.e. to adjust the volume of business with clients in order to improve the overall profitability), our number of clients, core clients' retention rate and core clients' net dollar retention rate decreased from 2019 to 2020 while maintaining growth in terms of average price per clients and per core clients respectively. In addition, core clients' net dollar retention rate is calculated by total revenue contribution of retained core clients in the current year divided by the total revenue contribution of the same group of core clients in the immediately preceding year. Due to the optimisation of our client portfolios and revenue mix as mentioned herein, total revenue attributable to the identified group of core clients decreased in 2020 compared to the total revenue attributable to the same group of core clients in 2019. For details, please refer to the paragraph headed "Financial Information — Description of major components of our results of operations — Revenue — CRM PaaS services" in this prospectus.
- (6) Due to our optimisation of client portfolio in CRM PaaS services (i.e. to adjust the volume of business with clients in order to improve the overall profitability), our number of clients and core clients' retention rate decreased from 2020 to 2021. For details, please refer to the paragraph headed "Financial Information — Description of major components of our results of operations — Revenue — CRM PaaS services" in this prospectus.

**CRM SaaS services**

Modern enterprises often seek to enhance their market competitiveness by expanding product sales channels, increasing productivity of their employees, reaching and interacting with their customers in a more efficient way, reducing operating costs and improving customer service quality. Our CRM SaaS services comprise three cloud services, namely Marketing Cloud, Sales Cloud and Service Cloud, which integrate the traditional CRM functions with cloud, upgraded and encapsulated communication capabilities as well as AI and DI capabilities to offer our clients a one-stop intelligent CRM services throughout their entire business cycle, from initial marketing to after-sales services. With cloud structure, our clients can access and utilise our capabilities through network. We believe that our ability in covering clients' all channels and entire business cycle have resulted in clients' stickiness to our services and have been translated into actual revenue.



The above flow chart illustrates the standard business process for our CRM SaaS services. After commencing sales to our clients, we would conduct research and attend to discuss with our clients to identify their needs for the purpose of plans formulation. After formulation of plans and signing of contracts, we will run the service testing and thereafter our clients would perform deployment with their own business systems. After delivering our CRM SaaS services to our clients, we would continue to monitor and maintain the system as well as to provide after sales services, including providing training sessions.

Our CRM SaaS services are provided with customised plug-ins and features that can be tailored to address our clients' needs and they can be integrated into an interface without the clients' need to further integrate the API or SDK into their business systems. Marketing Cloud offers digital tools to clients for promoting their products or services to targeted audiences precisely, seeking their audiences' attention by optimising the effects of online marketing activities and maintaining relationships between clients and their end customers. Sales Cloud provides a comprehensive suite of sales management modules to our clients which help improve their customer acquisition ability and achieve higher sales efficiency by introducing a streamlined operation model and automated workflow to clients' sales management cycle. Service Cloud provides our clients with a range of post-sales customer services-related modules to enhance their abilities on cloud-voice related service by not only migrating the traditional customer services related process onto the cloud platform, but also offering an advanced technological solution to help improve the quality of services provided.

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The following table sets out our revenue breakdown by CRM SaaS services during the Track Record Period:

	<b>For the year ended 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>CRM SaaS services</b>				
Marketing Cloud	261,685	233,234	256,684	347,618
Sales Cloud	28,820	30,998	44,664	66,163
Service Cloud	26,894	34,451	34,567	23,517
<b>Total</b>	<b>317,399</b>	<b>298,683</b>	<b>335,915</b>	<b>437,298</b>

### *Marketing Cloud*

We provide a range of modules under our Marketing Cloud, e.g. UMP solution — a private cloud-based solution that allows dissemination of marketing messages across telecommunication and social channels; MOS solution — a public cloud-based solution that allows dissemination of marketing messages across telecommunication network; and ICC solution — a solution that allows clients to manage comprehensive communication channels for intra- and extra-organisational purposes.

Our Marketing Cloud solutions have been providing exceptional experience to our clients by carrying out marketing activities through innovative one-stop solutions. They offer three key advantages:

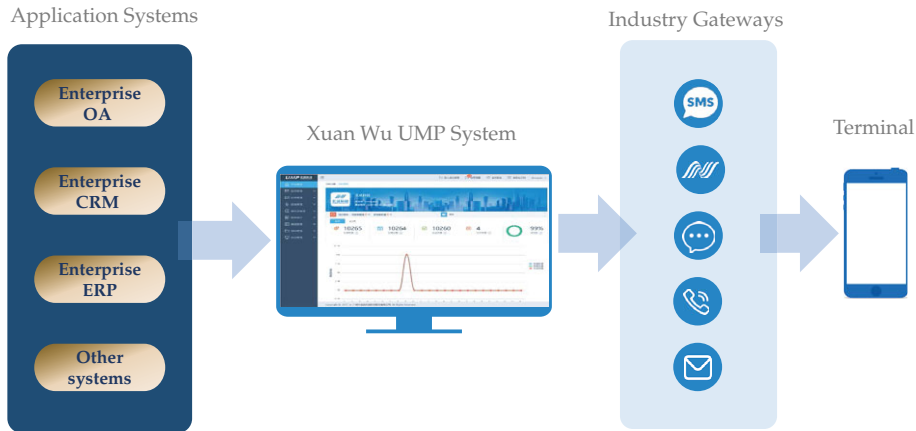
*Cloud structure.* Our solutions can be adapted to public cloud, private cloud and hybrid cloud which give higher flexibility to clients.

*High stability and security.* We deploy relevant infrastructures in different locations to support business contingency plans with our self-developed AMS platform, which ensures ongoing monitoring of the system load and performance status. We also provide our clients with a secured data transmitting platform with confidentiality protocol, two-factor authentication, anti-leakage and regular data cleaning mechanisms.

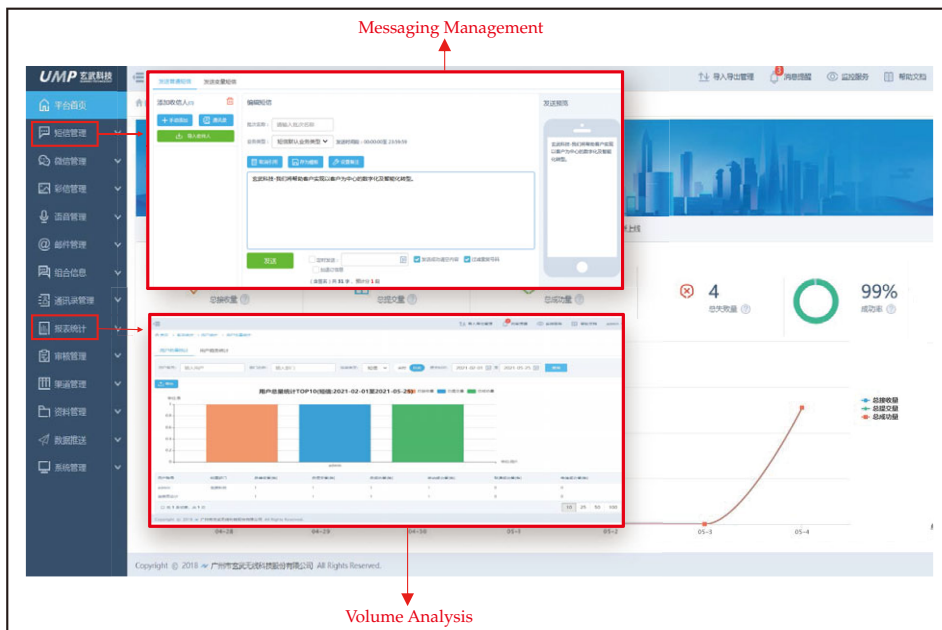
*Broad outreach.* The messages delivered via our Marketing Cloud solutions would be categorised by their natures or purposes, and sent with different priorities to ensure a high success rate in delivering the key messages. In addition, we have close and long-established relationship with the major telecommunication network operators which accounted for 99.0% of the market share in terms of revenue of telecommunication services in the PRC in 2020, for an average of eight years. By our ongoing cooperation, our clients are provided with broad telecommunication coverage which can further enhance the success rate in message delivery.



Marketing Cloud — UMP



Our UMP module, which is a private cloud-based solution, is a new generation messaging module that can simultaneously process millions of messages. Our UMP module can connect with our clients’ Office Automation (“OA”), CRM, ERP and database systems without locally installing any additional software or APP. We disseminate verification, points redemption, billed payment notification, marketing campaign, promotional and other messages to clients’ end customers through SMS, MMS, voice message, WeChat message and email. Founded on secured infrastructure, together with strong compatibility and low maintenance costs, UMP becomes an excellent one-stop module for marketing message management across telecommunication and social channels for our medium-sized clients from various industries, e.g. TMT, financial, e-commerce, education and logistics.

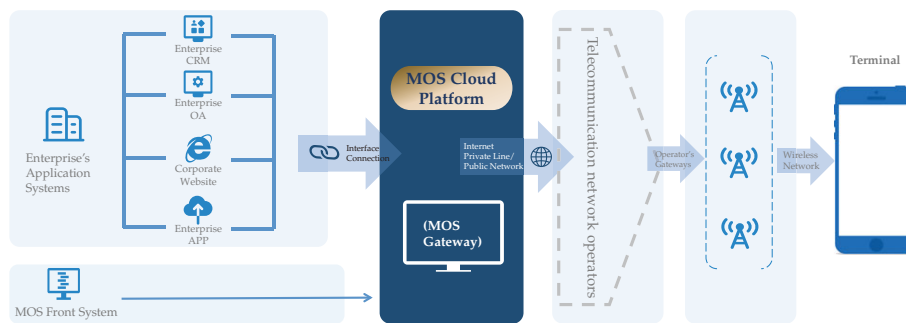


Case study

*Background.* Our client is a Chinese-foreign joint venture bank in the PRC operating more than 100 subsidiaries and/or branch offices across the PRC, Hong Kong and Macau, as such, it has to establish a unified platform for (a) management and maintenance of customers' data and accounts for messaging purpose; and (b) delivery of information to customers in a timely and effective manner, thereby increasing system stability and lowering maintenance cost, encountered information delays and failed deliveries.

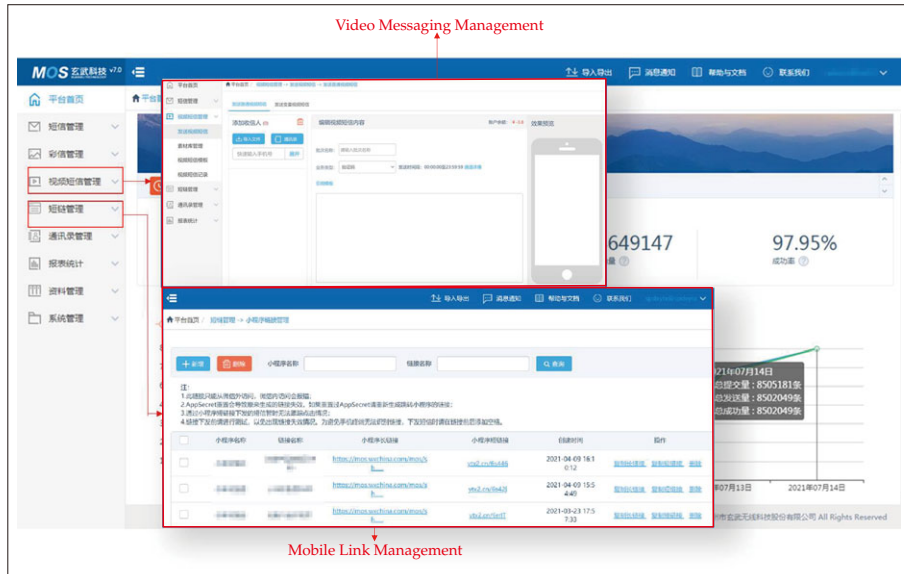
*Solution.* Our UMP module imports, creates and synchronises the customers' data to a unified messaging platform, and allows staff from headquarters and branches to apply for sending of messages via the same platform. We also prepared the "10690/10691" channels for our client to disseminate marketing campaign messages. After the implementation of our UMP module, our client experienced tremendous increase in premium customers account from October 2016 to June 2018.

Marketing Cloud — MOS



Our MOS module is a public cloud-based instant messaging platform that linked our clients' APP, OA, CRM systems and websites on the one hand, and internet and channels of telecommunication providers on the other hand without locally installing any additional software or APP. With the application of MOS, it allows messages to be disseminated through various channels including SMS, MMS, as well as rich media video messaging service through the telecommunication network, covering a wide scope of purposes for instance, identity verification, payment authentication, customer notification and marketing campaign. Our MOS module enables our clients to carry out their CRM activities in a more intelligent, efficient and effective manner and as a result, reduces our clients' costs on marketing campaigns and improves the effectiveness of such campaigns.

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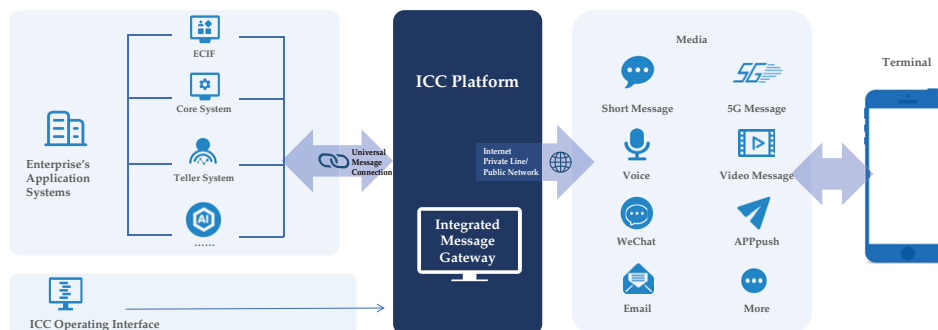


## Case study

**Background.** Our client is a professional virtual technology and video game developer in the PRC. It has been operating in the gaming industry for more than 20 years, and was looking for a proper communication channel to retain existing gamers and acquire new customers for their new products.

**Solution.** We tailored a cloud instant messaging service solution for them, which served multiple purposes to address every aspect of needs from our client. The main objective was to help our clients establish an efficient and reliable communication platform to convey key messages to their target customers, which included announcement of new product launch, promotional information, security notification, account authentication, etc. Through our MOS module, our client was able to enhance messages' outreach as well as to enrich the content of messages. Our platform was able to achieve an industry-benchmarking standard of assuring the security code to be received by the end-user within 5 seconds, which provided a better log in or registration experience for gamers.

## Marketing Cloud — ICC



Our ICC module is an upgraded version of UMP module, which enables clients to customise their marketing content and deploy different communication channels for different group of end customers, and plays the role as a converged communication middle station for large-sized clients. It integrates various media which includes the traditional telecommunication (i.e. SMS, email, 5G SMS, etc.) and internet instant message (i.e. WeChat, Weibo and Douyin). Managing through our centralised communication infrastructure platform in the 5G era, our clients can experience enhanced efficiency in responding to their customers’ responses and service experience, and fulfil their intra- and extra-organisational communication needs in various business scenario. By accessing to various media achieve better customer services and operational performance by optimising their marketing resources and achieving targeted marketing effects.



Case study

*Background.* Our client, a medium-sized joint-stock commercial bank in the PRC, was undergoing a digital banking reform which involved a comprehensive upgrade and reduction in tremendous communication with APIs embedded therein.

*Solution.* Our ICC module was introduced to replace the redundant APIs embedded in client’s CRM and customer service system with our unified ICC APIs, which simplified the structure of the client’s system drastically. After implementation of our ICC module, client was able to reduce its communication costs and number of APIs. Furthermore, additional communication channels (i.e. Weibo, Douyin and 5G message) allowed client to upgrade its CRM and customer services system by invoking the latest and most popular communication channels and tools in the market.

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The following table sets out the key differences between MOS and UMP:

MOS	UMP
<ul style="list-style-type: none"><li>• Deployment of public cloud</li></ul>	<ul style="list-style-type: none"><li>• Deployment of private cloud</li></ul>
<ul style="list-style-type: none"><li>• As it deploys public cloud which is shared between clients, clients are provided with standardised services</li></ul>	<ul style="list-style-type: none"><li>• As it deploys private cloud which is not shared between clients, clients are provided with customised services via a platform that is comparatively safe, secure and stable</li></ul>
<ul style="list-style-type: none"><li>• Suitable for clients with no customisation or enhanced security need</li></ul>	<ul style="list-style-type: none"><li>• Suitable for clients with customisation or enhanced security need</li></ul>

The following table sets out the key differences between UMP and ICC:

UMP	ICC
<ul style="list-style-type: none"><li>• Covers limited communication channels</li></ul>	<ul style="list-style-type: none"><li>• Covers various communication channels including SMS, email, 5G SMS, WeChat, Weibo and Douyin</li></ul>
<ul style="list-style-type: none"><li>• Limited data analytic capability</li></ul>	<ul style="list-style-type: none"><li>• Enhanced data analytic function enabling client to optimise their marketing resources and achieve targeted marketing effects by utilising different data tags provided (which includes but not limited to salary level, occupation, hobby, spending preference and spending habit)</li></ul>

### *Sales Cloud*

U-Client 100 and Smart Sales 100 are sales management modules with AI and DI capabilities offered under our Sales Cloud.

Our Sales Cloud solution has been providing exceptional experience to our clients by carrying out their sales campaigns through innovative one-stop solutions. They offer three key advantages:

*All-channel marketing management.* Our Sales Cloud solutions provide all-channel marketing management to clients, through which our clients are able to manage clients' sales cycle via online (i.e. WeChat store) and offline channels (i.e. terminal stores).

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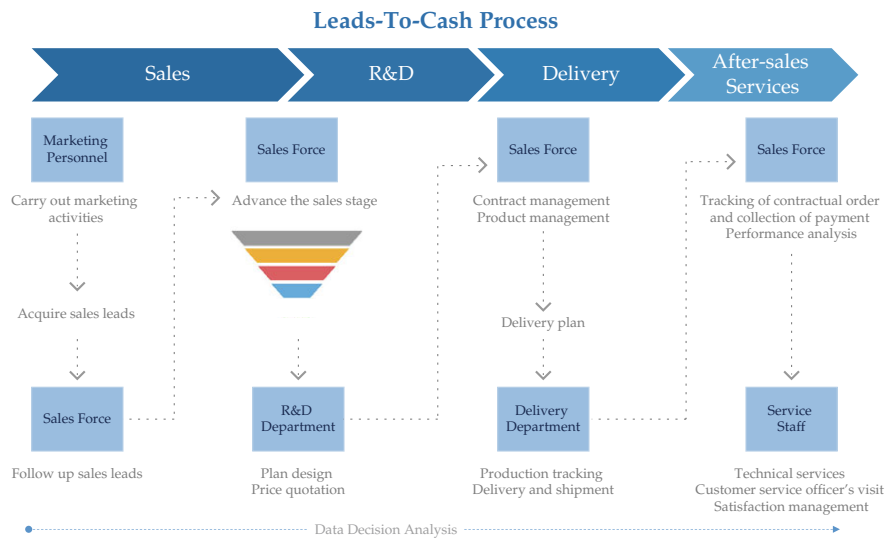
*AI and DI capabilities.* Through the integration of AI and DI capabilities, our clients are empowered with image recognition, and data collection and analytic capabilities. By shortening the time and effort required for data collection and data analysis, it would help clients to reduce their sales expenses, thereby increasing their operational efficiency.

*Continuous development in business scenario based on evolving clients' needs.* We have been cultivating in FMCG industry for more than 10 years. Leveraging our extensive industry experience and expertise, we are able to develop and expand business scenario coverage continuously, and thereby enabling our clients to improve their competitiveness.

### *Sales Cloud — U-Client 100*

Our U-Client 100 module empowers our clients to adapt to ever-changing market trends, founded on the LTC sales management model with DI capabilities. It empowers our clients to monitor their entire sales process, including research and development, production, sales and after-sales processes, which can be translated into actual growth in their brand or products.

Our U-Client 100 module would enable our clients to identify and obtain new business opportunities through analysing the market trends and consolidating the business data and information of their end customers, which create a full customer portrait in the CRM system. The customer portrait shows all-rounded information (including the basic information, historical quotation, historical contract and payment history), by one simple click and customised tags can also be added to the portrait if needed. The creation of customer profile will help facilitate the formulation of sales and marketing plan as client can set up several standardised plans (i.e. different quotation strategies and different level of resources input) for each group of end customers. Clients' sales teams can contact the potential end customers by utilising the contact person information available on the customers' profile in the CRM system.



Our LTC model is implemented as follows:

*Research and development, and production:* After understanding and analysing customers' demand and market trends, our clients would utilise their CRM systems to facilitate the communication between their research and development, sales, marketing, procurement and production departments in reaching a design of tailor-made products for their end customers, and thereafter, their sales team, technician, procurement team and budget team will collaborate on quotation. Our U-Client 100 module would also help with the generation and storage of contract and purchase order on the cloud.

*Sales and delivery:* When the products are ready for delivery, upon clients' salespersons' application for delivery in the CRM systems, the delivery information will be available in the CRM system and clients' end customers would also get message notification of the delivery information. Throughout the sales cycle, our clients are able to (i) exchange information with their end customer, including sending real time notification to the end customers and sending or receiving after sales evaluation; and (ii) exchange information within the enterprises themselves in reaching design and quotation of products, leveraging on our communication capability.

*Payment:* As the order, invoice and receivables details will be synchronised with clients' ERP systems, the CRM systems would allow clients' salesperson to work closely with finance department on payment matter. When clients receive payments from their end customers, the salespersons can access and confirm the payment on the CRM systems and once the finance departments approve the relevant payments, and the receivables outstanding in ERP systems will be updated and synced to the CRM systems thereafter. By connecting clients' ERP and CRM systems, our U-Client 100 module enables effective management of outstanding receivables.

*After sale:* Clients' salespersons can apply for after sale services on the CRM systems, which enable salespersons to liaise with after-sale engineers through PC and APP in a timely manner. Digitalising after sales procedures would enable our clients to collect and analyse the data and feedbacks thereafter, so that our clients can strengthen their products to attract further business opportunities from their end customers.



Case study

**Background.** Our client is a company engaging in design, development, manufacturing and installing of intelligent fire alarm equipment in the PRC. Its customers mainly consist of commercial real estate developers in the PRC and they primarily sell and market their products through their in-house direct sales forces. Our client was considering to engage CRM services to manage its SKUs and to process customers' purchase orders with one single platform integrating all of its business systems (including ERP, OA, AD etc).

**Solution.** Our U-Client 100 module helps to (i) integrate and digitalise client's sales procedures, from generating of contract and purchase order to handling of payments received from its end customer creating a one-stop management system connecting client's sales, marketing, procurement, production and audit departments; and (ii) generate payment schedule and reminder. Our U-Client 100 module did not only help our client integrate its business systems, but also enable more efficient resources allocation and increase its efficiency in internal information transmission. After engaging our U-client 100 module, our client experienced increase in gross profit margin and overall operational efficiency.

Sales Cloud — Smart Sales 100

Smart Sales 100 is built on our previous Fast Sales 100 module, for clients in industries that are highly involved in distribution model, especially FMCG industry. Fast Sales 100 can enhance our clients' service quality and ability through the application of AI and Sales Force Automation (SFA), Trade Promotion Management (TPM), Promoter Merchandiser Management (PMM), Distributor Management System (DMS), and Retail Management System (RMS) functions. These functions help our clients to establish all-channel marketing and sales system in multiple respects: Digitalising the sales process, synchronising and managing orders through different channels, monitoring the marketing expenditure in a closed-loop, and promoting sales in a regulated manner. This ultimately allows our clients monitor and control all their sales data, thus sharpens their core competitive edges and boosts their sales growth.

Sale Force Automation (SFA)

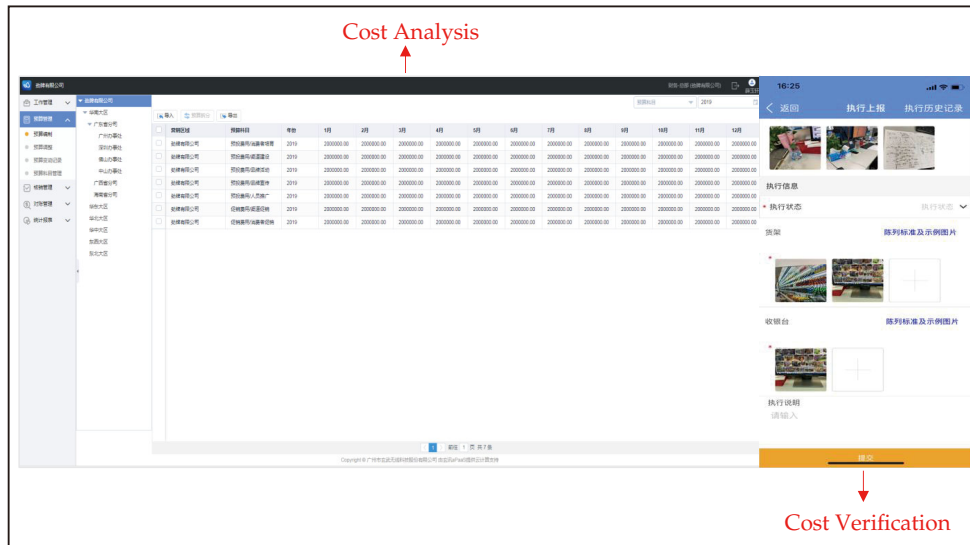




## BUSINESS

The major functions of the SFA include managing fundamental data and performance, planning the visiting schedules, executing on-site client visits, and analysing sales data and statistics. Therefore, the targeted users of our SFA solution are FMCG managers and respective employees. SFA can assist our clients in conducting effective end-customers business cycle management, standardising the management of employees' visits, conducting online inspection of employees' performance, collecting sales-related data, and controlling employees' daily work collaboration and schedules with AI empowered technologies such as scenario detection, product detection, in-store display examination, etc.. We expect with the above functions of the SFA, our clients can oversee employee's on-site work performance, thus enhancing their work efficiency. With the data analysis function supported by our DI capability, our clients can also further formulate more focused marketing strategies by analysing the data collected from stores and sales force. By doing so, they can minimise unnecessary marketing time and costs.

### Trade Promotion Management (TPM)



TPM serves to help our clients build up a cost control platform, thus a closed-loop management in handling marketing costs. With the support from our AI capability which offers functions such as OCR and Image Recognition, it allows our client in record cost data from the receipt image automatically, easily and reliably without the need of manual information input. TPM is also capable of monitoring every single expenses incurred throughout the cycle from planning to auditing and analysis of a marketing campaign, as well as subsequent multi-dimensional analysis on cost and return by leveraging our DI capability. Ultimately, TPM is a useful device for future decision-making as it provides clear guidance for cost control.

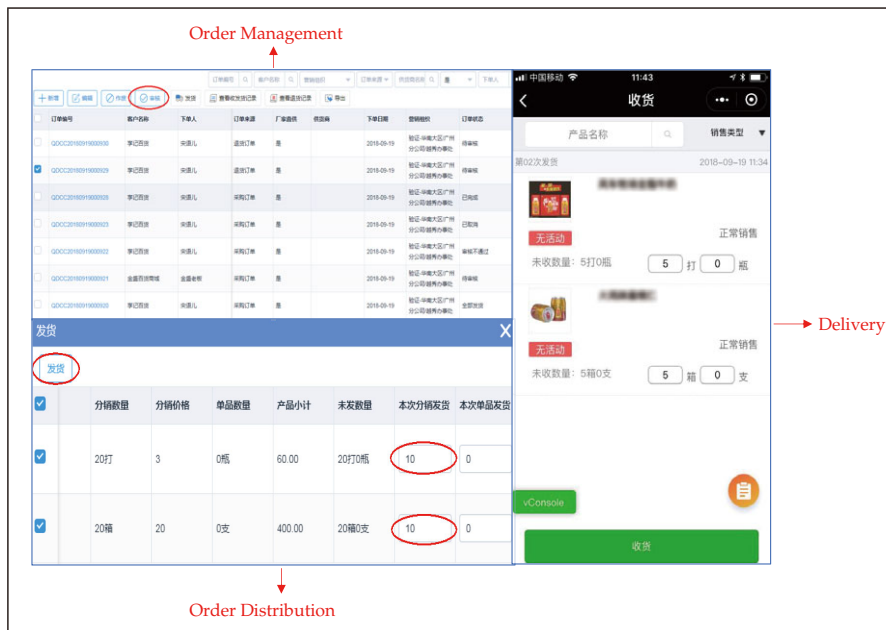
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## Promoter Merchandiser Management (PMM)



PMM serves to help our clients with managing and supervising their promoters effectively. Its major functions include management of work attendance, work shift, with the support from our AI capability. It also includes other functions such as management of sales objective, performance and salary control, online training platform, marketing and promotional resource, etc. With the support from our DI capability, our clients can access to visualised DI reports which can help our client enterprises in rapidly enhancing the sales performance of their promoters, whilst they can also obtain first-hand information in the market and ultimately maintain a steady growth in sales.

## Distributor Management System (DMS)



Through DMS, we can help our clients in FMCG industry in executing closed-loop management of placing and allocating orders with their distributors. For orders placed through different channels, DMS also enables sharing of respective data, and collaborative management of orders. With the collected sales data and the support from our DI capability, it enables detailed analysis to be performed with respect to sales trend and stock movement, etc.. This ultimately enhances the turnover rate of orders placed and enables our clients to better understand distributors' real-time sales and purchases data, as well as stocks.

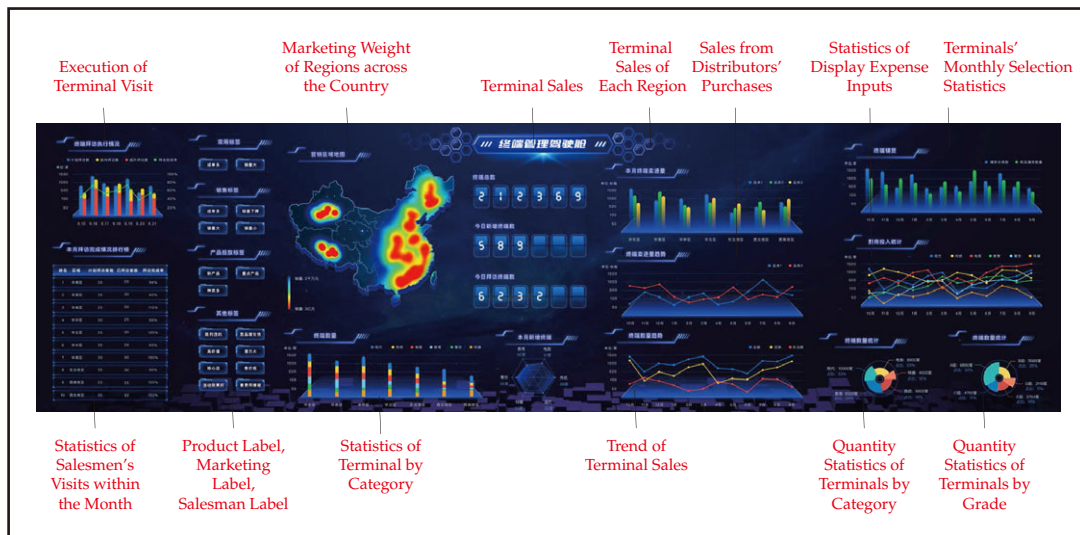
Retail Management System (RMS)



RMS is a function mainly designed for the management of retail stores of our brand owner clients, and its major values are to help retail store managers reach and monitor their end customers. Before launching of product, clients would firstly formulate different marketing strategies and product launch plans with respect to different scenarios. With the classified data with data tags and the support from our DI capability, clients can select the stores suitable for implementation of relevant product launch plan, in order to achieve targeted marketing. Through RMS, a retail store manager who has taken part in any sales promotion events of the brand can monitor real-time updates with the events, and earn and redeem bonus points as rewards. The retail store manager is required to submit photos relating to the execution of promotion event upon completion of the event. By leveraging our AI capability, the system will be able to perform check automatically on whether the promotion event has been executed as planned, which shortens the time required for manual verification.

*Implication of AI and DI capabilities*

Our Smart Sales 100 module, empowered by AI and DI capabilities, has improved the data collection ability at various stages and sales cycle scenarios. For example, by providing comprehensive information and accurate data, our clients can reduce wasted costs relating to the usage of false data by ensuring data accuracy, provision of more comprehensive information and reducing the costs wasted by discovering false data. Through Smart Sales 100 module, our clients are able to experience enhanced data collection and analysis abilities, improved work efficiency and increase in interaction between our clients and managers of retail stores. “AI Perfect Store” and “AI Store Inspection” are functions of the Sales Cloud solutions which we have built based on our AI and DI capabilities.



“AI Perfect Store”: According to Frost & Sullivan, the display of products and the purchase environment would affect the customers’ behaviour. In this respect, enterprises in FMCG industry would usually emphasise on the setting and layout of the retail stores by ensuring that their products in the stores are displayed in a certain way which, alongside effective marketing strategies, could maintain and boost sales of their products.

Our AI Perfect Store was developed based on normative enterprise marketing strategy — combining with AI technology, it is capable of reviewing and analysing whether the marketing strategies adopted by the retail stores can meet the standards set by our solutions, or provide suggestions to our clients otherwise. Ultimately, the AI Perfect Store module aims to constantly raise the bar of being a ‘perfect store’, thus optimising our module’s impacts over consumer’s behavior and raising sales.

In practice, our clients would first set up a customised standard of their “perfect store”. Clients’ inspector can select and check the status of unvisited stores and plan his/her visiting route through his/her mobile device. During the store visit, the inspector would have to take note of the items or tasks which required to be examined in that specific store. The inspector would have to take the real-time pictures covering different display scenario in accordance with the guidelines provided by our AI Perfect Store

module, such as the customer flow, promotional activity and sales area. This task involves the utilisation of our AI technology by way of invoking APIs with different function, e.g. API that can recognise reproduced photo, API that can categorise SKUs, API that can detect tiers in a refrigerator and API that can detect shelves in a store. The real-time picture would be uploaded to the system for the examination, our module will then generate a report regarding the display within 20 seconds. Any items which do not reach the pre-set standard will be flagged in the report and the store manager would have to adjust the display by uploading the retake-photo until they reach the “perfect” store standard.

In addition, this solution is also capable of helping our clients to oversee the execution of the launch of marketing campaigns, monitor updates and business activities of our clients’ competitors in the market, and eventually enable them to acquire end customers in a more effective way. Our clients could only monitor the operations of their retail stores by specifically recruiting or assigning staff to examine their respective retail stores, which in return was more time-consuming and costly without AI Perfect Store.

Traditionally, our clients could only monitor the operations of their retail stores by specifically recruiting or assigning staff to examine their respective retail stores, as it takes time for them to take appropriate photo and to manually determine whether the store has complied with the pre-set standards. With our AI Perfect Store module, client’s inspector is able to take real-time pictures according to the guidance provided in the module camera and perform checking of real-time photos against the pre-set standards by invoking API. As such, it became less time-consuming and costly with our AI Perfect Store.

*“AI Store Inspection”*: Store inspection is of utmost importance to the sales monitoring for brand owner clients, especially for those who operate a numerous amount of retail store. The traditional approach of inspection has experienced issues caused by the fabricated or repetitive reporting by inspector and difficulty in authentication of inspector’s identity. For example, client’s inspection might forge photos or other documentations without actual visiting, report more than once for same visit or to ask someone else to perform the task for him. With our in-depth industry knowledge and expertise, and understanding of our clients’ challenges existed in their day-to-day business, we developed our AI Store Inspection to tackle all the aforesaid issues by introduction of facial recognition, intelligent image recognition and smart check-in system. This module can be utilised in verifying the identity of inspector and enhancing their operational efficiency by improving the work efficiency of our clients’ employees; and with more accurate data retrieved by our solution, our clients could also fully utilise then in better understand their business operations.

In addition, we also complement our Smart Sales 100 module with smart devices, e.g. AI camera attached to fridge or container to enhance the overall performance and further improve user experience. Our clients' AI camera utilises AI recognition engines which is capable of recognising SKUs and recording image related sales data. With AI camera attached to the fridge or container of our clients' shops, sales data will be collected on an on-going basis to record all kinds of dynamic data, for instance, the time and the frequency of the fridge door opened, what goods were picked by the customers, how goods were placed back on the shelves, etc. Supported by our AI capability, the image data will be automatically uploaded to our Smart Sales 100 platform for examination, and the notification function will be triggered if there is a need to refill the goods or if the goods display does not reach the standard. Furthermore, by leveraging our DI capability alongside with the collected sales data, our clients will be able to predict the sales trend, preference of their customers, target group of customers etc. and take prompt action to adjust their stock management and marketing strategy accordingly. For details on our AI capabilities, please refer to the paragraph headed "Our technology" in this section.



Case study

**Background.** Our client is a long-established bottled drinking water manufacturer and it used to have a traditional CRM system. With the ever-changing environment in FMCG market, our client would want to convey constructive feedback in each stages of the sales cycle to the management in a timely manner, so as to formulate its plan and strategy, and to respond to any trend movement promptly.

**Solution.** Our Smart Sales 100 module provided a one-stop solution that enables our client to enhance its sales process. Leveraging our powerful AI vision engines, client can process photos and distinguish SKUs with high similarity, thus ensuring high accuracy of the product display and planogram in the process of data collection. After the adoption of our Smart Sales 100, our client experienced significantly lower sales staff costs due to improvement in accuracy of data collection and thus lower false rate.

*Service Cloud*

Our Service Cloud solution is dedicated to enhancing our clients' abilities on cloud-voice related service. Our Service Cloud solution is offered in Cloud Call Centre — a customer service module that brings the traditional call centre onto the cloud which includes two functions, (a) Call Centre — a centralised interface connected to various customer service channels; and (b) Intelligent Quality Inspection — a function developed to enhance the level of service quality by voice recognition, semantic analysis and big data processing technology.

Once the Service Cloud received requests from clients, the system will arrange accordingly either an AI or customer service staff to serve the customers taking into account the nature and complexity of the matters. For simpler matters, AI will be handling the tasks without any manual intervention. While for more complicated matters, Service Cloud may arrange AI or customer service staff to handle the customers' needs, with an intelligent quality inspection system to conduct quality check on AI's or customer service staff's performances. Our Service Cloud solution has been providing exceptional experience to our clients by carrying out their customer service function through an innovative one-stop solution. It offers three key advantages:

*Cloud-based.* We offer our clients with cloud-based customer service, which is easy to deploy, as our clients would not be required to maintain or develop the solution.

*Communication capability.* Our clients can be benefited from our communication capability, which enables them to respond or obtain feedbacks from their customers via various channels.

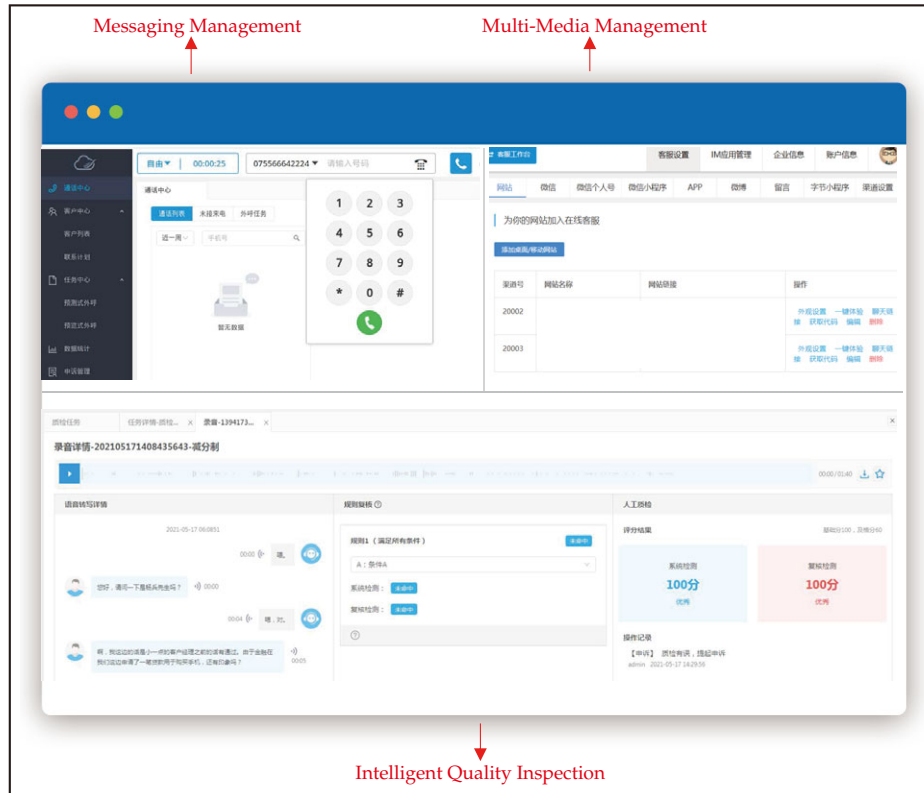
*Intelligent.* Our client can access to our inspection function which is based on voice recognition, semantic analysis and data processing technologies, enabling them to optimise their work processes and improve their operational efficiency.

Cloud Call Centre is built upon our communication capability that supports voice and multi-media content, and is based on cloud computing. By integration of the prevalent communication channels, such as phone call, SMS, voice message, email, internet-based call, video call, WeChat, Weibo and APP, and our clients' customer service staff can provide responses and obtain feedbacks from their end customers through the most convenient communication channels designated by the end customers. It also offers call recording and performance evaluation modules which enables our clients to monitor their frontline salespersons to ensure their service quality.

We also offer intelligent quality inspection function which connects our clients' communication channels with major online customer service platforms, including WeChat, web page and APPs. It assists our clients in optimising work processes of their daily business, and improving internal collaboration with efficiency. Our intelligent quality inspection function is based on voice recognition, semantic analysis and data processing technology. It can simultaneously convert and translate voice of calls into text, which provides phonetics support for clients' staff. Our clients can set up standards of quality and use this function to inspect quality of customer services via phone calls, as our

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system will automatically evaluate the service quality of frontline client service staff in accordance with the aforesaid standards which helps to improve clients' service quality and conduct marketing data mining for clients' future improvement.



## Case study (1)

**Background.** Our client operates a boutique membership e-commerce platform and requested for a solution to effectively stimulate its old customers to purchase on their platform again through sending them event sales notifications during holidays and/or anniversaries.

**Solution.** We offered our client the Service Cloud solution with AI robot and messaging services that carried out intelligent phone calls or voice messages via various channels every day at specific time points, which was able to reach out to a considerable amount of old customers without incurring much labor costs.

## Case study (2)

**Background.** Our client operates e-commerce platform for cosmetic products. Our client was in need of a customer service system when performing its daily customer reviews to lift up its phone calling efficiency. Besides, it also requested for a reliable storage for data such as communication recordings and to shorten call waiting and dialing time by filtering invalid data.



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*Solution.* We offered our client the Service Cloud solution by establishing a complete customer service system from dialing customers to recording communications to analyse the customers' needs. The system also provides functions including recordings storage and empty number detection which greatly enhance the customer service efficiency. We also offered our client an intelligent quality check system to assist the management of service customer staff's work quality.

*Solution.* At the initial stage of cooperation, we were engaged to provide our Service Cloud solution to one of the cosmetic brands which our client operated, for its after sales service. In the absence of a unified platform to consolidate the customers' data which was collected from various channels, it is difficult for client to analyse, manage and store the customers' data, as well as follow up on customers' feedbacks. With our knowledge after serving several brands operated by our client, we have developed industry-specific functions, i.e. multi-brand and all-channel unified management function, in order to expand the brand coverage of our Service Cloud solution. Our Service Cloud solutions have assisted the client in improving its service quality, and having relevant costs reduced.

### *Operating data*

CRM SaaS services	For the year ended 31 December			
	2018	2019	2020	2021
Number of clients	959	1,258	1,379	1,509
Number of core clients <sup>(Note 1)</sup>	110	128	147	193
Average price per client <sup>(Note 2)</sup>	RMB331,000	RMB237,400	RMB243,600	RMB289,800
Average price per core client <sup>(Notes 1, 2 and 6)</sup>	RMB2,623,000	RMB2,091,000	RMB2,038,800	RMB2,079,000
Core clients' retention rate <sup>(Notes 1 and 3)</sup>	NA	91.8%	91.4%	89.1% <sup>(Note 5)</sup>
Core clients' net dollar retention rate <sup>(Notes 1 and 4)</sup>	NA	78.6%	97.2%	112.9%
% of revenue contribution by core clients <sup>(Note 1)</sup>	90.9%	89.6%	89.2%	91.8%

*Notes:*

- (1) For the four years ended 31 December 2021, core clients are defined as clients contributing RMB300,000 or above of revenue for the relevant year.
- (2) For the four years ended 31 December 2021, the average price per client refers to the average revenue generated per client for the year.
- (3) For the four years ended 31 December 2021, core clients' retention rate refers to the percentage of core clients for the immediately preceding year which remained to be our core clients for the current year.
- (4) For the four years ended 31 December 2021, core clients' net dollar retention rate refers to the ratio of revenue contribution of the core clients in the immediately preceding year to the revenue contribution of the same group of clients for the current year. The clients' net dollar retention rate for the current year is calculated by using the revenue attributable to the identified group of clients in the current year as the numerator and the revenue attributable to the same group of clients in the immediate preceding year as the denominator.

- (5) Due to the structural adjustment of our client portfolios in Service Cloud as we intend to gradually shift our focus to clients from relatively stable industries, such as financial and Government-related industries, our number of core clients' retention rate decreased from 2020 to 2021. For details, please refer to the paragraph headed "Financial Information — Description of major components of our results of operations — Revenue — CRM SaaS services" in this prospectus.
- (6) The average price per core client fluctuated while average price per client increased from 2019 to 2021, as the number of core clients increased faster than that for all CRM SaaS clients. The number of core clients increased from 128 in 2019 to 193 in 2021 representing a CAGR of 22.8% compared to that of 9.5% for all CRM SaaS clients during the same period, due to our continually pursuing of core client strategy to increase average price per client and thus lead to an increasing client pool that would be categorised as core client.

**Services/  
solution/module**

**AI/DI capability**

CRM PaaS services –  
cPaaS

AI capability

Message delivery

It offers users with text-to-speech or speech-to-text function, which is capable of converting language text into speech recording (or vice-versa) to allow messages to be delivered to the end-users in a flexible manner. In addition, it provides semantic analysis function that approximates concept from text and categorise messages into different groups to enhance resources allocation. Furthermore, an automatic examination would also be triggered to identify any non-compliance within the message content and to ensure all outbound voice and image content are in compliance with internal requirements and external regulations.

Message receiving

It supports automatic reply function which would firstly detects the content of the inbound message and converts speech recording into language text if needed. A search would be conducted thereafter to match the most relevant response to the enquiry based on the pre-established database and system algorithm. Furthermore, an automatic examination would also be triggered to identify any non-compliance within the message content and to ensure the voice and image content are in compliance with internal requirements and external regulations.

**Services/  
solution/module**

**AI/DI capability**

DI capability

Data recovery

It enables the users to create incremental backup by daily snapshot which allow data to be restored from a snapshot of a specific date.

Storing and analysis of data

It empowers our cPaaS platform to perform a holistic analysis on the stored data and the result can be visualised and presented in all kinds of operational reports and statistics.

Others

Our DI capability also allows users with access to various of database such as blacklist or whitelist, sensitive word list, non-registered number list, mobile number portability list, etc.

CRM SaaS services

AI capability

The Group's AI capability is mainly applied to support the data collection workstream within the CRM SaaS solutions.

Image-to-text

It offers users with the image-to-text function, which is capable of converting image into text. This is a process to transform unstructured image data by analysing the content and produce structured data as an output.

Video-to-text

It offers users with video-to-text function, which is capable of converting video into text data to allow users to analyse the video content and extract useful data or messages from the source.

Character recognition

It offers users with the ability to covert image-text into machine-encoded text.

**Services/  
solution/module**

**AI/DI capability**

Image examination

It helps users to examine the in-store image data submitted by the system users which is intended to detect improper and unqualified photo taken (e.g. photos taken from the computer screen or paper, duplicated photo submitted).

Image stitching

It is supported by the image processing function which is used to identify image with similarities. Once images from the same store are detected, they will be cropped and combined into one.

DI capability

Data classification function

It helps users to organise the database by analysing the stored data and creating different data tags for grouping and integration purposes.

Data analysis

It provides data processing power to support sales specific analysis for stock management, human resources management, cost management, operation management, etc.

Data forecast

It provides the ability to predict trends, patterns, and correlations in large amounts of raw data to make data-informed decisions.

**OUR TECHNOLOGY**

Our intelligent CRM services structure are built on aPaaS and cPaaS platforms and powered by AI and DI capabilities. Throughout our history, we have updated our technologies based on clients' feedbacks or requests, which made a key to our business success. We believe that continuous research and development is crucial to our future success and continuous technological developments in the fields of AI, DI and cloud computing will be key to the growing opportunities for the intelligent CRM services industry. For details on our related competitive strengths and growth strategies, please refer to the paragraphs headed "Our competitive strengths" and "Our growth strategies" in this section.

### **Our aPaaS platform**

We have developed an aPaaS platform, a low code platform, which supports the efficient and highly integrated development of the system for our solutions enabling us to utilise existing services and development tools while focusing on providing diversified solutions to our clients. Leveraging our aPaaS platform, we are able to develop and to make updates to our services within a short period of time thus catering with the evolving clients' needs and technological innovation. In addition, our CRM SaaS clients can also access to our aPaaS platform to customise a SaaS services based on their individual needs and demands by integrating various modules and functionalities.

### *Case study*

*Background:* Our client engages in winemaking business. Its original marketing information system had inadequate coverage on administrative management, production supply, channel synergy, consumer operations and other value chains, and as such its business data could not be gathered in an organized way and the original system failed to provide our client a sufficient data analysis and management platform to support its business operation scale. Our client was looking for a centralized business system to enhance data analysis efficiency.

*Solution:* Our aPaaS platform realises the digitalisation of execution of contracts and helps to meet the needs of the client's sales department to evaluate dealers which takes into account the terms of the contract, thus lift up the efficiency of entering into contracts with business partners. Further, the aPaaS platform provides low-code flexible configuration which could meet business requirements through quick configurations and reduce development workload.

### **Our cPaaS platform**

Insofar as our clients subscribed to our CRM PaaS services, our cPaaS platform enables our clients to integrate our communication capabilities into their business systems in the form of APIs and SDKs according to their business needs. As such, our cPaaS platform allows our clients to access and utilise our communication resources in an easy, efficient and flexible way which suits their communications needs without incurring enormous costs in establishing and maintaining their own communication infrastructure. Where our clients subscribed to our CRM SaaS services, they are offered with technologically upgraded services encapsulated with multi-touch communication capability, where our cPaaS platform would form the base and core and an inseparable part of our CRM SaaS services.

### **Our AI and DI capabilities**

As mentioned above, we have developed our own vision related AI recognition engines. The Vision Engines are developed based on machine learning, deep learning, image segmentation and OCR, which can profile 10 million items per day, recognise an item match within 1s and return result within 3s on phone, produce recognition result of an accuracy rate up to 99.0%. We applied our Vision Engines in a variety of innovative

smart devices in connection with our CRM SaaS services. For example, our Smart Sales 100 solution offers intelligent decision algorithm based on DI which can be utilised in AI camera installed in vending machines, such algorithm can recognise SKUs and record sales directly when an end customer picks up any goods therefrom.

*Case study — AI capability*

*Background:* Our client engages in beverage and instant noodles manufacturing. The salesmen of our client were bearing heavy workload of terminal visits and there were occasions the salesmen could not collect the required data at the terminal visit according to the internal standards and specifications, which had led to the back-end auditors spending a lot of time to communicate repeatedly with the salesmen to collect the data again. This business process took up a lot of unnecessary manpower resources and lowered the staff's working efficiency, and the actual and objective situation of the terminals cannot be delivered to our client's management team and thus the management team was not able to propose improvement suggestions accordingly.

*Solution:* Our AI platform can quickly identify scenes such as shelves, piles, freezers and display effects and conduct analysis accordingly. It assists in connecting SFA system and empowers the salesmen to collect the terminal data accurately, which reduces the collection burden of the front-end personnel and the inspection workload of the back-end personnel. Through connecting our AI platform, it helps achieve intelligent verifications of terminal authenticity and provide auxiliary decision making.

*Case study — DI capability*

*Background:* Our client engages in beverage processing business. It is looking for a system that can help analysing its market share of the terminals that it has distributed its products to at each of the targeted regions, and which of those terminals are more suitable to distribute more of its products.

*Solution:* Our DI provides store extension solutions by analysing the data of our client's terminals to find out sales points that our client is not yet cooperating but suitable for its distribution in the targeted regions. It also helps generate offline tasks for salesmen and guide them to expand our client's distribution network accordingly, which makes our client being able to proactively expand the market and also greatly saved up the time for our client to expand its targeted distribution network.

During the operation of our CRM SaaS services, we accumulate historical data, through that we are able to gain valuable insights into our clients' needs as well as their end customers' behaviour. For example, we provide our clients with forecast or estimation after analysing their historical business operating data enabling them to make informed business decision so as to increase their operational efficiency. By cleaning, modelling, analysing and mining such data, our data engineers can achieve a comprehensive understanding of our clients and their end customers, which enable us to provide our clients and their end customers with better services. In addition, our Smart Sales 100 platform has stored ample amount of data of food and beverage SKUs, which in turn lays down a solid foundation for its machine learning and AI recognition function.

As we believe that technological advancement and innovation are critical to solidifying our competitiveness, we have been consistently improving our image recognition technology, and have made achievements in the areas of image classification and product recognition.

## **RESEARCH AND DEVELOPMENT**

We believe our strong research and development abilities and ability to keep up with the rapid development and advances in technologies through developing innovative solutions are crucial to our continued success. For the four years ended 31 December 2021, we have incurred RMB40.8 million, RMB50.6 million, RMB53.0 million and RMB66.1 million, respectively, as our research and development expenses.

### **Research and development team**

As at the Latest Practicable Date, we had a team of 268 experienced technology professionals, representing 36.2% of our total staff.

### *Research and development process*

Our development process for our platform or solution generally takes eight weeks to six months. The key steps involved in our development process consist of:

- *Planning:* Planning of objectives, adjustment of operations and scheduling of timetable;
- *Research and design:* Conduct market research, client research and analysis on similar services in the market and to come up with solid structures and flows by adopting relevant technological frameworks;
- *Development and coding:* Code writing, unit testing and code testing to ensure the specification, accuracy and strengths of the codes of the platform or solution;
- *Testing:* Carry out a series of tests to ensure the functionality of the services, and to discover any possible defects, followed up by respective analysis before official release of the platform or solution;
- *Release:* Upon release, the team will also complete the training and promotion schemes with clients, and constantly follow up and check on their usage and experience on our platform or solution;
- *Ongoing updates and optimisation:* An ongoing stage which requires continuous effort by our team in preparation and assessment of optimisation plans, alongside further execution and constant monitoring of the plans.

## **INTELLECTUAL PROPERTY**

We highly value our proprietary patents, trademarks, domain names, copyrights and other intellectual properties to our business operations. We rely on a combination of patents, copyrights, trademarks, trade secret laws, and restrictions on disclosure to protect our intellectual properties. During the Track Record Period, we have entered into relevant arrangements with our employees by way of incorporation of confidentiality clause into the employment agreement which cover any confidential information obtained during the course of employment.

As at the Latest Practicable Date, we had registered 135 copyrights, 67 patents, 63 trademarks, 43 domain names in the PRC, and registered three trademarks in Hong Kong. During the Track Record Period and up to the Latest Practicable Date, we have applied for registration of 62 patents, 7 copyrights and 24 trademark in the PRC. For details, please refer to the paragraph headed “Statutory and General Information — B. Further information about our business — 2. Intellectual property rights of our Group” set out in Appendix IV to this prospectus.

We implement a set of comprehensive measures to protect our intellectual property. For details, please refer to the paragraph headed “Risk management and internal control — Intellectual property risk management” in this section.

During the Track Record Period and as at the Latest Practicable Date, we were not subject to any material dispute or claims for infringement upon third parties’ intellectual property rights.

## **SALES AND MARKETING**

### **Pricing**

Our service fees are generally set out in the agreements between us and our customers. For our CRM PaaS services, we generally charge by usage based fee. For our CRM SaaS services, we generally charge usage based fee, monthly or annual software subscription fee, implementation fee and annual maintenance fee. In formulating our service fees for an engagement, we take into account of various factors, including but not limited to (i) types of services involved; (ii) competition and the prevailing market prices for similar services offered in the intelligent CRM services market; (iii) the types of customers and the industries they are involved in; and (iv) the potential future business opportunities with or the chance of cross-selling the clients. Our Group would take into account our increasing product/service competitiveness and ability to meet clients’ needs and our operation costs as the clients are aware of the trend of telecommunication resources costs when negotiate an increase in average per unit selling price. We also consider the overall circumstances based on each of our clients when forming the basis and justification for determining the average per unit selling price for each client. Such circumstances maybe affected by factors including but not limited to types of clients and the industries they are involved in, our understanding of clients’ needs and their budget level, the potential future business opportunities with or the chance of cross-selling the clients and the complexity of client’s demands. For details of our CRM PaaS and CRM



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SaaS services fee model, please refer to the paragraph headed “Financial Information — Critical accounting policies and estimates — Revenue recognition” in this prospectus.

### **Sales and marketing**

We primarily sell and market our intelligent CRM services through our in-house direct sales forces, consisting of 228 employees as at the Latest Practicable Date, each with extensive knowledge in our services and related technologies. We generally conduct direct sales through phone calls and onsite visits, and leverage the network effect and word-of-mouth referrals by stakeholders across the business cycle to strategically expand our market presence and scale up our business in a cost-effective manner. By engaging in various direct marketing campaigns, such as summits, forums and other events across different industries, we are also able to reach out to enterprises, organisations and their affiliates. Eventually, we have managed to build up successful business relationships with many of them, thus achieving to expand the influence and popularity of our brand amongst the intelligent CRM services industry.

Our industry leading clients include SOEs, listed companies and other large-sized enterprises spanning across a broad range of industries such as FMCG, financial, TMT and Government-related industries covering 20 of the Fortune Global 500 Companies. For FMCG industry, we covered 28 and 24 of the top 100 players in the food and beverage segments, and 20 and 10 of the top 100 players in the commodity and Chinese liquor segments, respectively, in 2021. For the financial industry, we covered 37 of the top 100 players in the banking segment and 30 of the 138 regulated security companies, respectively, in 2021. For TMT industry, we covered 21 and 15 of the top 100 players in the internet and software segments, respectively, in 2021. The total revenue contributed by our SOE clients accounted for 19.5%, 19.0%, 13.9% and 11.5% of our revenue for the four years ended 31 December 2021, respectively. Our Directors are not aware of our clients which are SOE that (1) plan to migrate their data from private sector operations to state-owned clouds and (2) withdrew their contracts with us during the Track Record Period.

For the four years ended 31 December 2021, our selling and distribution expenses amounted to RMB83.0 million, RMB93.4 million, RMB77.1 million and RMB91.0 million, respectively, representing 16.0%, 15.6%, 9.7% and 9.2% of our revenue during the same periods, respectively.

### **SEASONALITY**

Our business is subject to seasonality and we typically record lower revenue during the first quarter of the year as compared to the remaining of the year. As advised by Frost & Sullivan, the intelligent CRM services industry in the PRC is subject to the seasonality of consumer spending and corresponding marketing trends. Intelligent CRM providers typically generate lower revenue in the first quarter than other quarters, mainly due to slower and postponed spending or purchase of intelligent CRM products and services as a result of holidays such as Chinese lunar new year in the first quarter.

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### OUR CLIENTS

Our clients primarily consist of enterprises in FMCG, financial, TMT and Government-related industries. All of our clients were situated in the PRC. During the four years ended 31 December 2021, our revenue amounted to RMB518.8 million, RMB600.2 million, RMB796.8 million and RMB991.9 million, respectively. Our revenue generated from our largest client for the four years ended 31 December 2021 accounted for 8.3%, 7.3%, 18.2%, and 16.5%, respectively, of our revenue during those periods. Our revenue generated from our five largest clients for the four years ended 31 December 2021 accounted for 31.8%, 28.3%, 34.8% and 34.2%, respectively, of our revenue during those periods. During the Track Record Period, our clients generally settled their payments through bank transfer. We have established and maintained stable and good relationships with our five largest clients during the Track Record Period, with a majority relationships of five years or above.

Below are the breakdown of our revenue derived from our top five clients during the Track Record Period, and their respective background information:

For the year ended 31 December 2018:

Rank	Client	Principal business activities	Type of services provided	Approximate year(s) of relationship with the Group	Sales amount (RMB'000)	Percentage of revenue (%)
1	Client A <sup>(Note 1)</sup>	Banking business	CRM PaaS and CRM SaaS services	7 years	42,938	8.3
2	Client B <sup>(Note 2)</sup>	Information technology and power supply services	CRM PaaS and CRM SaaS services	7 years	40,865	7.9
3	Client-supplier D <sup>(Note 4)</sup>	Telecommunication operation	CRM PaaS and CRM SaaS services	11 years	33,498	6.5
4	Client C <sup>(Note 3)</sup>	Credit card services	CRM PaaS and CRM SaaS services	10 years	27,154	5.2
5	Client-supplier E <sup>(Note 5)</sup>	Telecommunication operation	CRM PaaS and CRM SaaS services	12 years	20,107	3.9
<b>Total</b>					<b>164,562</b>	<b>31.8</b>

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For the year ended 31 December 2019:

Rank	Client	Principal business activities	Type of services provided	Approximate year(s) of relationship with the Group	Sales amount (RMB'000)	Percentage of revenue (%)
1	Client-supplier D <sup>(Note 4)</sup>	Telecommunication operation	CRM PaaS and CRM SaaS services	11 years	44,097	7.3
2	Client B <sup>(Note 2)</sup>	Information technology and power supply services	CRM PaaS and CRM SaaS services	7 years	36,250	6.0
3	Client I <sup>(Note 6)</sup>	Comprehensive integrated payment solutions	CRM PaaS and CRM SaaS services	8 years	35,236	5.9
4	Client-supplier F <sup>(Note 7)</sup>	Design, development and sale of telecommunication equipment and consumer electronics	CRM PaaS and CRM SaaS services	5 years	30,291	5.0
5	Client C <sup>(Note 3)</sup>	Credit card services	CRM PaaS and CRM SaaS services	10 years	24,884	4.1
<b>Total</b>					<b>170,758</b>	<b>28.3</b>

For the year ended 31 December 2020:

Rank	Client	Principal business activities	Type of services provided	Approximate year(s) of relationship with the Group	Sales amount (RMB'000)	Percentage of revenue (%)
1	Client-supplier F <sup>(Note 7)</sup>	Design, development and sale of telecommunication equipment and consumer electronics	CRM PaaS and CRM SaaS services	5 years	145,139	18.2
2	Client-supplier D <sup>(Note 4)</sup>	Telecommunication operation	CRM PaaS and CRM SaaS services	11 years	48,548	6.1
3	Client-supplier E <sup>(Note 5)</sup>	Telecommunication operation	CRM PaaS and CRM SaaS services	12 years	30,064	3.8

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Rank	Client	Principal business activities	Type of services provided	Approximate year(s) of relationship with the Group	Sales amount (RMB'000)	Percentage of revenue (%)
4	Client J <sup>(Note 8)</sup>	Securities brokerage business	CRM PaaS and CRM SaaS services	9 years	27,748	3.5
5	Client C <sup>(Note 3)</sup>	Credit card services	CRM PaaS and CRM SaaS services	10 years	25,799	3.2
<b>Total</b>					<b>277,298</b>	<b>34.8</b>

For the year ended 31 December 2021:

Rank	Client	Principal business activities	Type of services provided	Approximate year(s) of relationship with the Group	Sales amount (RMB'000)	Percentage of revenue (%)
1	Client-supplier F <sup>(Note 7)</sup>	Design, development and sale of telecommunication equipment and consumer electronics	CRM PaaS and CRM SaaS services	5 years	164,048	16.5
2	Client-supplier E <sup>(Note 5)</sup>	Telecommunication operation	CRM PaaS and CRM SaaS services	12 years	56,162	5.7
3	Client J <sup>(Note 8)</sup>	Securities brokerage business	CRM PaaS and CRM SaaS services	9 years	44,367	4.5
4	Client-supplier D <sup>(Note 4)</sup>	Telecommunication operation	CRM PaaS and CRM SaaS services	11 years	42,826	4.3
5	Client C <sup>(Note 3)</sup>	Credit card services	CRM PaaS and CRM SaaS services	10 years	31,836	3.2
<b>Total</b>					<b>339,239</b>	<b>34.2</b>

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*Notes:*

- (1) Client A is a rural credit union providing financial services situated in Henan Province with a registered capital of RMB58.0 million, which was incorporated in 2007 and principally engages in the provision of savings and credit services.
- (2) Client B was incorporated in 2006 and principally engages in the provision of information technology and electricity communication engineering services and development of information system and is a branch office of a limited liability company which is situated in Yunnan Province with registered capital of RMB23.6 billion.
- (3) Client C is a branch office of a commercial bank situated in Shanghai and listed on the Shanghai Stock Exchange, which was incorporated in 1992 and principally engages in the provision of banking services, letter of credit services and guarantees, and issuance of loans and bonds, with registered capital of RMB29.4 billion and with its business centralised in Shanghai and have 42 branches located across the PRC such as Hangzhou, Nanjing, Guangzhou, Beijing, Zhengzhou, Xi An and Dalian, and outside the PRC including Hong Kong, Singapore and London.
- (4) Client-supplier D is one of the major telecommunication network operators in the PRC with a registered capital of RMB213.0 billion and it consists of a company listed on the Shanghai Stock Exchange and another company listed on the Main Board of the Stock Exchange. It was incorporated in 2000 and principally engages in the provision of basic and value-added telecommunication services and operating system integration in relation to communication services.
- (5) Client-supplier E is one of the major telecommunication network operators in the PRC and consists of a company listed on the Main Board of the Stock Exchange. It was incorporated in 1999 and principally engages in the provision of basic and value-added telecommunication services.
- (6) Client I is a comprehensive integrated payment solutions provider incorporated in 2006 situated in Guangdong Province with a registered capital of RMB680.0 million and principally engages in development and providing maintenance services on software and network, which is an indirect subsidiary of a company listed on both the Main Board of the Stock Exchange and Shanghai Stock Exchange with its business centralised in Guangdong and also covering Beijing, Shandong, Jiangsu, Zhejiang, Shanghai and Sichuan.
- (7) Client-supplier F is a Chinese multinational technology company incorporated in 1987 situated in Guangdong Province with a registered capital of RMB40.4 billion and is principally engaging in design, development and sale of telecommunication equipment and consumer electronics.
- (8) Client J is a comprehensive securities company incorporated in 2007 situated in Beijing with a registered capital of RMB10.1 billion, which is listed on both the Main Board of the Stock Exchange and the Shanghai Stock Exchange. It principally engages in provision of securities investment consultation and financial advice on securities trading and investment, and securities underwriting and sponsorship with its business centralised in Guangdong and with 501 branches located across 31 provinces autonomous regions and municipalities directly under the central government in the PRC including Zhejiang, Beijing, Shanghai, Jiangsu, Fujian and Shanxi.

All of our top five clients during the Track Record Period were Independent Third Parties. As at the Latest Practicable Date, none of our Directors, their close associates or our Shareholders had any interest in any of our top five clients.

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### Major terms of our long-term services agreements

The salient terms of our typical long-term services agreements are as follows:

Term of service and contract renewal	Our long-term service agreement typically has a term of three years and may be renewed upon expiry.
Scope of services	We generally set out the details of our scope of services within the term of services.
Service fee	We generally set out a fee quotation for our different types of services. We may charge extra service fees or provide separate quotation for specific projects, out-of-scope matters or additional services requested by our clients.
Payment terms	We generally charge on a monthly basis or in accordance with the payment schedule of the agreement. Credit terms may vary from agreement to agreement and we generally grant our clients a credit term from 10 days to 30 days. We generally require payments by bank transfer.
Confidentiality	Both parties are obliged to keep confidential the technical, management, financial and business information disclosed during the service term, and shall continue for five years after termination of the agreement.

### OUR SUPPLIERS

Our suppliers mainly consist of major telecommunication network operators and suppliers of cloud computing servers. Our major suppliers are all situated in the PRC. During the four years ended 31 December 2021, our cost of sales amounted to RMB333.3 million, RMB403.5 million, RMB603.0 million and RMB759.5 million, respectively, while the largest supplier accounted for 60.2%, 59.6%, 69.8% and 70.3%, respectively, of our cost of sales during those periods. Our cost of sales generated from our five largest suppliers for the four years ended 31 December 2021 accounted for 81.0%, 81.6%, 85.7% and 86.1%, respectively, of our revenue during the same periods. During the Track Record Period, we generally settled our payments to our suppliers by bank transfer. We have established and maintained stable and good relationships with our five largest suppliers during the Track Record Period, with a majority relationships of six years or above.

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Below are the breakdown of our top five suppliers during the Track Record Period and their respective background information:

For the year ended 31 December 2018:

Rank	Supplier	Principal business activities	Type of services purchased	Approximate year(s) of relationship with the Group	Purchase amount (RMB'000)	Percentage of cost of sales (%)
1	Client-supplier E <sup>(Note 1)</sup>	Telecommunication operation	Telecommunication resources	12 years	200,573	60.2
2	Client-supplier D <sup>(Note 2)</sup>	Telecommunication operation	Telecommunication resources	11 years	29,331	8.8
3	Client-supplier H <sup>(Note 3)</sup>	Telecommunication operation	Telecommunication resources	12 years	28,644	8.6
4	Supplier A <sup>(Note 4)</sup>	Mobile information service provider	Telecommunication resources	4 years	6,011	1.8
5	Supplier B <sup>(Note 5)</sup>	Value-added telecommunications services and telecommunications business agent	Telecommunication resources	5 years	5,431	1.6
<b>Total</b>					<b>269,990</b>	<b>81.0</b>

For the year ended 31 December 2019:

Rank	Supplier	Principal business activities	Type of services purchased	Approximate year(s) of relationship with the Group	Purchase amount (RMB'000)	Percentage of cost of sales (%)
1	Client-supplier E <sup>(Note 1)</sup>	Telecommunication operation	Telecommunication resources	12 years	240,298	59.6
2	Client-supplier D <sup>(Note 2)</sup>	Telecommunication operation	Telecommunication resources	11 years	39,435	9.8
3	Client-supplier H <sup>(Note 3)</sup>	Telecommunication operation	Telecommunication resources	12 years	35,336	8.8

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Rank	Supplier	Principal business activities	Type of services purchased	Approximate year(s) of relationship with the Group	Purchase amount (RMB'000)	Percentage of cost of sales (%)
4	Supplier C <sup>(Note 6)</sup>	Comprehensive system integration services and marketing of high-tech network products	Telecommunication resources	3 years	7,821	1.9
5	Client-supplier G <sup>(Note 7)</sup>	Basic telecommunications services	Telecommunication resources	6 years	6,078	1.5
<b>Total</b>					<b>328,968</b>	<b>81.6</b>

For the year ended 31 December 2020:

Rank	Supplier	Principal business activities	Type of services purchased	Approximate year(s) of relationship with the Group	Purchase amount (RMB'000)	Percentage of cost of sales (%)
1	Client-supplier E <sup>(Note 1)</sup>	Telecommunication operation	Telecommunication resources	12 years	420,829	69.8
2	Client-supplier D <sup>(Note 2)</sup>	Telecommunication operation	Telecommunication resources	11 years	46,807	7.8
3	Client-supplier H <sup>(Note 3)</sup>	Telecommunication operation	Telecommunication resources	12 years	20,614	3.4
4	Supplier C <sup>(Note 6)</sup>	Comprehensive system integration services and marketing of high-tech network products	Telecommunication resources	3 years	14,467	2.4
5	Supplier I <sup>(Note 8)</sup>	Research and development of electronics, communication and automatic control technology	Telecommunication resources	3 years	13,693	2.3
<b>Total</b>					<b>516,410</b>	<b>85.7</b>



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For the year ended 31 December 2021:

Rank	Supplier	Principal business activities	Type of services purchased	Approximate year(s) of relationship with the Group	Purchase amount (RMB'000)	Percentage of cost of sales (%)
1	Client-supplier E <sup>(Note 1)</sup>	Telecommunication operation	Telecommunication resources	12 years	533,700	70.3
2	Client-supplier D <sup>(Note 2)</sup>	Telecommunication operation	Telecommunication resources	11 years	50,703	6.7
3	Supplier I <sup>(Note 8)</sup>	Research and development of electronics, communication and automatic control technology	Telecommunication resources	3 years	33,223	4.4
4	Client-supplier H <sup>(Note 3)</sup>	Telecommunication operation	Telecommunication resources	12 years	25,120	3.3
5	Client-supplier M <sup>(Note 9)</sup>	Provision of information system integration services and value-added telecommunication services	Telecommunication resources	1 year	10,798	1.4
<b>Total</b>					<b>653,544</b>	<b>86.1</b>

Notes:

- (1) Client-supplier E is one of the three major telecommunication network operators in the PRC and consists of a company listed on the Main Board of the Stock Exchange, which was incorporated in 1999 and principally engages in the provision of basic and value-added telecommunication services.
- (2) Client-supplier D is one of the three major telecommunication network operators in the PRC and it consists of a company listed on the Shanghai Stock Exchange and another company listed on the Main Board of the Stock Exchange. It was incorporated in 2000 and principally engages in the provision of basic and value-added telecommunication services and operating system integration in relation to communication services.
- (3) Client-supplier H is one of the three major telecommunication network operators in the PRC, which is listed on the Main Board of the Stock Exchange. It was incorporated in 2002 and principally engages in provision of basic and value-added telecommunication services.
- (4) Supplier A is a mobile information service provider situated in Jiangsu Province with a registered capital of RMB80.0 million, which is listed on the Shenzhen Stock Exchange. It was incorporated in 2012 and principally engages in provision of basic and value-added telecommunication services with its business centralised in Wuxi and covering across the north, east and south regions of the PRC including Shenzhen, Shanghai and Beijing.

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- (5) Supplier B is a company incorporated in 2016 mainly engaging in provision of value-added telecommunications services and telecommunications business agent and situated in Liaoning Province with a registered capital of RMB10.0 million.
- (6) Supplier C is a company incorporated in 2016 mainly engaging in comprehensive system integration services and marketing of high-tech network products situated in Guangdong Province with a registered capital of RMB14.3 million.
- (7) Client-supplier G is a company incorporated in 2006 mainly engaging in provision of basic and value-added telecommunications services situated in Guangxi Zhuang Autonomous Region with a registered capital of RMB50.0 million.
- (8) Supplier I is a company incorporated in 2015 mainly engaging in research and development of electronics, communication and automatic control technology situated in Guangdong Province with a registered capital of RMB10.0 million.
- (9) Client-supplier M is a company incorporated in 2017 mainly engaging in the provision of information system integration services and value-added telecommunication services, wholesale and retail of softwares and development of computer technology and is situated in Guangdong Province with a registered capital of RMB10.0 million.

All of our top five suppliers during Track Record Period were Independent Third Parties. As at the Latest Practicable Date, none of our Directors, their close associates or our Shareholders had any interest in any of our top five suppliers. We entered into written agreements with telecommunication network operators to utilise their telecommunications resources. These agreements typically have a fixed term of one year. We are generally granted with credit terms of 30 days. When selecting among telecommunication network operators, we generally take into account factors such as pricing, clients' geographical preferences and telecommunication network operators' coverage on end users.

During the Track Record Period, client-supplier E was our largest supplier which is one of the three major telecommunication network operators in the PRC. Due to the socio-economic and political contexts in the PRC, the telecommunication service industry in the PRC is dominated by only a limited number of state-owned mobile network providers, hence, it is a normative practice for all intelligent CRM services providers in the PRC to be engaged in business partnerships or collaborations with any one or more of those telecommunication network operators in order to enter the market and expand their businesses to all parts of the PRC or to rely on the three major telecommunication network operators for provision of telecommunication resources given that they accounted for 99.0% of the market share in terms of revenue of telecommunication services in the PRC in 2020 according to Frost & Sullivan. We have begun our business collaboration with client-supplier E since 2010 and have maintained good and continuous relationship with it, e.g. we have been collaborating with most of its branches for over five years. Throughout our collaboration, client-supplier E has provided stable and reliable telecommunication services to us for our services to our clients. Furthermore, there also exists mutual reliance between our Group and the three major telecommunication network operators (including client-supplier E) as we are able to connect client-supplier E and clients by consolidating their supply and demand and we help client-supplier E to better serve its end customers. For details, please refer to the paragraph headed "Value propositions" in this section. To the best of the knowledge of our Directors, on the basis

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that (i) there is mutual reliance between our Group and client-supplier E; (ii) our Company has not encountered any material disruption and defective performance in the services provided by client-supplier E; (iii) we are also currently recognised as “Excellent Business Partner” and “Premium Agency” by various provincial branches of our client-supplier E; and (iv) none of the branches had initiated to terminate their cooperation with us, our Directors believe that it is unlikely that client-supplier E will terminate the cooperation with our company in the near future, which may affect our business operations and financial results. Where there is any reason which lead to termination of services by client-supplier E, we will be able to collaborate with the other two telecommunication services providers (client-supplier D and client-supplier F) which we have been collaborating for ten and four years respectively.

Based on the aforesaid grounds stated above, there has not been any dispute, disagreement, litigation, complaint or any other factors between client-supplier E and us which may hinder our ongoing business relationships. In addition, pursuant to the agreement that we entered into with client-supplier E, there is no material indications that our current business relationships will be materially, adversely changed or terminated in the foreseeable future. However, despite the aforesaid, in the remote case where a particular branch of client-supplier E terminates its cooperation with us, we would still be able to mitigate by opting for the services provided by client-supplier D and H (which we have been collaborating since 2011 and 2010, respectively). Furthermore, as we had been strategically focusing on the provision of CRM SaaS services and expanding our CRM SaaS client base during the Track Record Period, we are able to reduce our reliance on telecommunication resources and thus the reliance on client-supplier E.

For risks relating to our reliance on our supplier and increase in costs of telecommunication resources, please refer to the paragraph headed “Risk Factors — Risks related to our business and industry — We rely on major telecommunication network operators for their provision of telecommunication resources. If we fail to maintain our collaborations with these telecommunication network operators or they keep increasing their service fees level, our business, results of operations and financial condition will be materially and adversely affected.” in this prospectus.

### OUR SUBCONTRACTORS

During the Track Record Period, our Group subcontracted some of our implementation and after-sales services in the course of provision of our services to our subcontractors, who are Independent Third Parties. Whilst we have a team of experienced in-house project staff, technical and customer service staff to carry out our CRM PaaS and CRM SaaS services, after considering the scale of the project and the availability of our labour resources, we may delegate from time to time certain part of our works to subcontractors. We generally select subcontractors from our approved subcontractors list, which is updated on a continuous basis. We carefully evaluate our subcontractors based on a number of factors, e.g. quality of works, availability of relevant technical skills, work and project planning management skills, the responsiveness to our requests and follow-up work. We generally select the most suitable subcontractor from the approved list based on their relevant skill sets and experience, subject to their availability and fee quotations. As at the Latest Practicable Date, we had 20 approved subcontractors on our

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internal list of approved subcontractors. Our outsourcing implementation costs and outsourcing customer services expenses amounted to RMB10.8 million, RMB11.2 million, RMB10.5 million and RMB13.1 million during the four years ended 31 December 2021. During the Track Record Period, there was no long-term agreement entered into between our Group and our subcontractors.

The salient terms of our typical subcontracting agreements are as follows:

Term of service and contract renewal	These agreements typically have a fixed term of one year.
Scope of services	Implementation and after sales services.
Service fee	Fee quotation is generally set out in the agreement. The sub-contracting fees depends on the complexity and the estimation of duration of the works.
Payment terms	We generally pay on a monthly, quarterly or by stage basis.
Confidentiality	Both parties are obliged to keep confidential the technical, management, financial and business information disclosed during the service term.
Performance standard	The subcontracting agreement would set forth the scope and expected standards of the subcontractor's services and the types of inspections we require.
Termination	We monitor and assess the performance of subcontractors regularly. Generally, we have the right to terminate the agreement if our subcontractors fail to adhere to their rights and obligations.

### OVERLAPPING CLIENTS AND SUPPLIERS

During the Track Record Period, three of our top five clients were also our suppliers and five of our top five suppliers were also our clients. These overlapping client-suppliers are client-supplier D, E, F, G, H and L. For details, please refer to the paragraphs headed "Our clients" and "Our suppliers" in this section. It is an industry norm to have overlapping client-supplier in the intelligent CRM services industry, according to the Frost & Sullivan Report.

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The following table sets out our total sales revenue and our purchases amount from these overlapping client-suppliers during the Track Record Period.

	For the year ended				Reason(s) for overlapping
	2018	31 December		2021	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
<b>Sales to the overlapping client-supplier D</b>					
Revenue	33,498	44,097	48,548	42,826	Notes 1 and 2
As a percentage of our revenue	6.5%	7.3%	6.1%	4.3%	
<b>Sales to the overlapping client-supplier E</b>					
Revenue	20,107	21,820	30,064	56,162	Notes 1 and 2
As a percentage of our revenue	3.9%	3.6%	3.8%	5.7%	
<b>Sales to the overlapping client-supplier F</b>					
Revenue	1,034	30,291	145,139	164,048	Note 3
As a percentage of our revenue	0.2%	5.0%	18.2%	16.5%	
<b>Sales to the overlapping client-supplier G</b>					
Revenue	1,241	28	109	57	Note 4
As a percentage of our revenue	0.2%	0.005%	0.01%	0.006%	
<b>Sales to the overlapping client-supplier H</b>					
Revenue	2,784	3,839	5,715	7,264	Notes 1 and 2
As a percentage of our revenue	0.5%	0.6%	0.7%	0.7%	
<b>Sales to the overlapping client-supplier L</b>					
Revenue	2	1	–	–	Note 3
As a percentage of revenue	0.0%	0.0%	–	–	
<b>Sales to the overlapping client-supplier M</b>					
Revenue	–	–	–	1,563	Note 3
As a percentage of revenue	–	–	–	0.2%	
<b>Purchase from the overlapping client-supplier D</b>					
Purchase amount	29,331	39,435	46,807	50,703	Notes 1 and 2
As a percentage of our cost of sales	8.8%	9.8%	7.8%	6.7%	
<b>Purchase from the overlapping client-supplier E</b>					
Purchase amount	200,573	240,298	420,829	533,700	Notes 1 and 2
As a percentage of our cost of sales	60.2%	59.6%	69.8%	70.3%	
<b>Purchase from the overlapping client-supplier F</b>					
Purchase amount	–	–	2,452	2	Note 3
As a percentage of our cost of sales	–	–	0.4%	0.0003%	

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	For the year ended				Reason(s) for overlapping
	2018	31 December 2019	2020	2021	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
<b>Purchase from the overlapping client-supplier G</b>					
Purchase amount	2,438	6,078	11,513	9,647	Note 4
As a percentage of our cost of sales	0.7%	1.5%	1.9%	1.3%	
<b>Purchase from the overlapping client-supplier H</b>					
Purchase amount	28,644	35,336	20,614	25,120	Notes 1 and 2
As a percentage of our cost of sales	8.6%	8.8%	3.4%	3.3%	
<b>Purchase from the overlapping client-supplier L</b>					
Purchase amount	3,139	4,060	2,411	9,774	Note 3
As a percentage of our cost of sales	0.9%	1.0%	0.4%	1.3%	
<b>Purchase from the overlapping client-supplier M</b>					
Purchase amount	-	-	-	10,798	Note 3
As a percentage of our cost of sales	-	-	-	1.4%	

*Notes:*

- (1) Major telecommunication network operators in the PRC typically conduct business as separate entities as such we provide services to one entity while purchasing telecommunication resources from another entity of the same operator.
- (2) We cooperate with major telecommunication network operators in the PRC to provide our clients and their customers (the “Mutual Clients”) with network services on demand. As we consolidated the demand for communication services from vast end customers of various size, the telecommunication network operators can engage our Group instead of conducting business with and serving thousands of clients in the course of providing their telecommunication resources.
- (3) We purchase telecommunication resources from this client while providing our CRM SaaS services to the same client.
- (4) We purchase telecommunication resources provided by one telecommunication network operator while providing our CRM PaaS services to the same client.

During the Track Record Period, we cooperated with the three major telecommunication network operators in the PRC to provide the Mutual Clients with network services on demand.

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Our Directors confirm that our sales to and our purchases from all overlapping client-suppliers were conducted in the ordinary course of business under normal commercial terms and on an arm's length basis. To the best knowledge and belief of our Directors, these overlapping client-suppliers are Independent Third Parties. None of our Directors, their respective close associates, or any Shareholder who, to the best knowledge of our Directors, owns more than 5% of our issued capital nor did they have any interest in each of these overlapping client-suppliers during the Track Record Period. Save as disclosed above, to the best knowledge of our Directors, we did not have any other overlap between our major clients and suppliers during the Track Record Period.

### TELECOMMUNICATION SERVICES

We cooperate with major telecommunication network operators in the PRC to provide our clients and their customers with network services on demand as the telecommunication network operator's services could not cover the needs of our clients and their customers. As we consolidate the telecommunication resources of different telecommunication network operators, we can offer clients with one-stop services for them to access and manage the consolidated telecommunication resources through the provision of CRM PaaS or CRM SaaS services which the telecommunication network operators will not provide. We enter into framework service agreements with telecommunication network operators. The key terms are set out below:

Term of service and contract renewal	These agreements typically have a fixed term of one year and are automatically renewable upon expiration of the original agreement unless otherwise indicated.
Service fee	The fees charged depend on the actual services provided, including usage based fee, monthly or annual software subscription fee, implementation fee and annual maintenance fee.
Payment terms	Payments are typically settled by bank transfer with the credit terms in line with which we are supplier in provision of services to telecommunication network operators.

### COMPETITION

The intelligent CRM services industry in the PRC is highly concentrated with top five players accounted for an aggregate market share of 63.0% in terms of revenues in 2021, according to the Frost & Sullivan Report. However, the addressable market is still in a relatively fragmented stage as different types of players are trying to expand their services mix alongside with rapid growth of the entire market. Our competitors include other traditional CRM and cloud services providers. We believe the principal competitive factors in our industry include functionality of the products and services, user experience, technology capabilities, sale capabilities, pricing and brand recognition, and reputation. In addition, new and enhanced technologies may further increase competition in our

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industry. We believe that we are well-positioned to compete effectively based on the foregoing factors. Positioned as a comprehensive intelligent CRM service provider, we are capable of providing clients with self-developed CRM PaaS services and CRM SaaS services which comprise Marketing Cloud, Sales Cloud and Service Cloud, as compared to some of our competitors which typically offer only CRM SaaS services or a single type of CRM SaaS services. Additionally, as our CRM SaaS are all built on our self-developed cPaaS platform, it allows us to provide highly integrated services to our clients while some of our competitors acquire their CRM SaaS businesses by way of acquisition or procure their cPaaS platform from third party supplier, as such their CRM SaaS systems may not be able to fully integrated into their cPaaS platform. Furthermore, as we maintained stable and long-term relationships with clients from various downstream industries, i.e. FMCG, financial, TMT and Government-related industries, we have a relatively broader client base than our competitors which are focusing on FMCG industry only. However, some of our current or potential competitors may be able to develop products and services better accepted by the clients and end customers, or may be able to respond more quickly and effectively than us to new or changing opportunities, technologies, regulations or clients' requirements. For details on our risk as to competition, please refer to the paragraph headed "Risk Factors — Risks related to our business and industry — We face competition in the markets where we operate and may not be able to compete successfully against our existing and future competitors" in this prospectus. For details of the competitive landscape of our industry, please refer to the paragraph headed "Industry Overview — Competitive overview of the intelligent CRM services industry in the PRC" in this prospectus.

### EMPLOYEES

As at the Latest Practicable Date, we had 740 full-time employees, all of whom were based in the PRC. The following table sets forth the number of our employees by function:

Function	Number of Employees	% of Total
Administration and management	62	8.4
Delivery	81	11.0
Research and development	268	36.2
Sales and marketing	228	30.8
Services and operations	101	13.6
Total	740	100.0



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None of our employees are currently represented by a labour union. We believe that we maintain a good working relationship with our employees and we have not experienced any significant labour disputes or any difficulty in recruiting staff for our operations during the Track Record Period.

### **Recruitment policy**

We primarily recruit our employees through recruitment agencies, campus job fairs, internal referral program and online channels, including our company website and social networking platforms. We devote management and organisational focus and resource to ensure that our culture and brand remain highly attractive to potential and existing employees. As part of our recruiting and retention strategy, we have established comprehensive training programs that cover topics such as our corporate culture, employees' rights and responsibilities, teambuilding, professional behaviour and job performance. We also provide "Xuanwu Lecture" and "Xinyu Program" for new employees to improve their time management and communication skills. Through these trainings, we ensure that our employees' skill sets remain up-to-date which enable them to discover and meet our clients' needs. We believe our training culture has contributed to our ability to recruit and retain qualified employees.

### **Compensation and benefits**

We believe that our success depends on our ability to attract, retain and motivate qualified personnel. As part of our human resources strategy, we offer competitive salaries, performance-based promotion system and other incentives. We also provide meal, travel and laptop expenses or allowances. As a result, we have successfully attracted and retained our core employees since our inception.

## **PROPERTIES**

Our headquarters is located in Tianhe District, Guangzhou, Guangdong Province, PRC. As at the Latest Practicable Date, we did not own any properties, and occupied 43 leased properties with an aggregate gross floor area ("GFA") of 7,943.7 sq.m.:

### **Non-registration of leases**

According to the Administrative Measures for Commodity House Leasing (the "Measures"), lease agreements have to be registered with the local branch of the relevant property administrative authorities within the time limit prescribed. As at the Latest Practicable Date, 22 of our leases had not been registered with the local branch of the relevant property administrative authorities within the time limit prescribed, as such registration required cooperation by lessors and our lessors had not provided us with any valid title certificates or other relevant document evidencing their rights to lease the properties to us. As advised by our PRC Legal Advisor, failure of lease registration and filing would not directly affect the legality, validity and enforceability of a lease agreement. We are further advised by the PRC Legal Advisor that we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each of the 22 unregistered lease agreements, on the premise that if the relevant PRC government

authorities require us to rectify, and we fail to do so within the prescribed time period. In any case, the estimated maximum penalty is RMB220,000.

To ensure on-going compliance with the relevant PRC laws and regulations, we will continue to seek cooperation from the lessors of the leased properties to register the lease agreements with the relevant property administrative authorities, and we will adopt a variety of risk control measures to mitigate such regulatory risk in the future. However, if (i) any of the lessors does not have the right to lease the property to us and our lease is terminated or voided as a result of challenges from third parties or the government; or (ii) any of the abovementioned lease agreements is considered as invalid, we may be required to seek alternative property to relocate, and relocation costs may be incurred.

We have also revised our internal control policies to prevent future recurrence of non-registration of lease agreements and designated experienced staff to (i) closely monitor our compliance with the relevant PRC laws and regulations in relation to the registration of lease agreements, including obtaining certain documents necessary for registration from the lessor, and review of registration status of the lease agreements in a timely manner; and (ii) perform regular review on the design and implementation of the relevant internal control policies. We believe that we have implemented adequate and effective measures internally. However, as we do not have control over the landlords, there is no assurance whether and when our landlords will register the leases.

***Failure to provide title documents***

As at the Latest Practicable Date, lessor of 36 of our leases failed to provide us with the relevant title documents. Pursuant to the relevant PRC laws and regulations, a lease is invalid if the lessor, being the property owner, did not obtain the proper construction planning permits or the property was not been built in compliance with the construction planning permits. As advised by our PRC Legal Advisors, failure of the lessor to provide the relevant title documents means that we are unable to verify whether the lessor, being the property owner, did obtain the proper construction planning permits or whether the property was built in compliance with the same. If the property owner did not obtain the proper construction planning permits or the property was not been built in compliance with the relevant construction planning permit, the lease may be deemed invalid.

In relation to the leased properties described above, our Directors confirm that no significant time or costs is expected to be required to identify or relocate our operations to comparable alternative properties, given the availability of comparable alternative properties in the market. Our Directors further confirm that should relocation be required, such relocation will not materially affect the operation and financial condition of our Group.

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As at the Latest Practicable Date, we had no single property carrying an amount of more than 15% or more of our total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provision) Notice, this prospectus is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include any interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

## INSURANCE

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 damages to our network infrastructures or information technology systems, nor any insurance policies for our properties. Any uninsured occurrence of business disruption, uninsured litigation or significant damages to our uninsured network infrastructures, information technology systems or properties could expose us to significant costs, which could have a material and adverse effect on our results of operations. For details, please refer to the paragraph headed “Risk Factors — Risks related to our business and industry — We may not have sufficient insurance coverage to cover our potential liability or losses and as a result, our business, results of operations and financial condition may be materially and adversely affected should any such liability or losses arise” in this prospectus.

**LEGAL PROCEEDINGS AND NON-COMPLIANCE**

The table below sets out our non-compliance incidents during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, there has been no non-compliance incident which we believe would materially affect our Group's operation and financial condition.

<b>Non-compliant incident</b>	<b>Major cause of the non-compliant incident</b>	<b>Legal consequences</b>	<b>Potential impact on our operations and financial condition</b>	<b>Rectification actions</b>
<p>During the Track Record Period, we (i) did not make full contributions to social insurance and housing provident funds for some of our employees; and (ii) we also engaged third party agents (who were Independent Third Parties) to assist with social insurance and housing provident funds' registration and payments.</p>	<p>Our under-contribution to social insurance and housing provident funds' scheme were primarily due to the fact that some of our employees chose not to make the contribution based on their actual income as they did not want to bear their heavy portion of the contributions.</p>	<p>Pursuant to the relevant PRC laws and regulations, employers who do not make full contributions on time to social insurance and housing provident funds may be subject to payment orders or penalties.</p> <p>An employer who has underpaid and/or failed to pay on time in respect of social insurance may be ordered by the relevant government authorities to make full payment of the outstanding amount within a prescribed time limit, together with a surcharge for late payment at the rate of 0.05% per day from the date on which the outstanding amounts become due. Failure to make payment of the outstanding amount within the prescribed time limit may then attract a fine of up to three times the outstanding amount.</p>	<p>We obtained confirmations with the relevant government authorities of certain cities and counties stating that: (i) we have not violated the relevant PRC laws and regulations relating to social insurance and housing provident funds; (ii) we have not been subject to any administrative penalties and actions by the relevant government authorities and any request from the relevant authorities for payment of outstanding social insurance funds nor the engagement of third party agents in relation to the payment of social insurance and housing provident funds; and (iii) no penalty or action will be taken for the under-contribution or the engagement of third party agents in relation to the payment of social insurance and housing provident funds where there is no complaint from employees.</p>	<p>We are committed to be fully compliant with the applicable laws and regulations by gradually making statutory contributions to the social insurance and housing provident fund based on the actual salary level of our employees going forward. As an upward adjustment of our payment base will also correspondingly increase the contribution amount by our employees, we are in the process of communicating with our employees with a view to seeking their understanding and cooperation in complying with the applicable payment base. The authorities have not imposed any deadline for our compliance. Our compliance with employee social welfare plans is in part subject to cooperation from our employees, who may not be receptive and may have a different attitude towards such plans due to the requirement that they co-contribute. We will seek assistance from our legal advisors and confirm with</p>

**Potential impact on our operations and financial condition**

**Major cause of the non-compliant incident**

**Non-compliant incident**

**Rectification actions**

the relevant authorities on our assessment of the adjusted payment base. Based on the communications with the relevant government authorities, the adjustment of the contribution base is usually made in a designated time each year and such time varies in different regions. As such, we expect to start making full contributions of social insurance and housing provident funds for those employees on an adjusted contribution base gradually by July 2022. In the future, we will communicate with relevant local authorities on a regular basis to ensure we acquire the most updated information about the relevant laws and regulations.

We had reviewed our internal control policies and have designated Mr. Guo Haiqiu, our executive Director and senior vice president and Mr. Ning Bin, our deputy human resources director, to closely monitor our ongoing compliance with the relevant PRC laws and regulations in relation to social insurance and housing provident funds contribution, and oversee the implementation of any necessary measures.

<b>Non-compliant incident</b>	<b>Major cause of the non-compliant incident</b>	<b>Legal consequences</b>	<b>Potential impact on our operations and financial condition</b>	<b>Rectification actions</b>
<p>As part of our administrative arrangements, we engaged third party agents to assist with our social insurance and housing provident funds' registration and payments.</p>	<p>An employer which has underpaid and/or failed to pay on time in respect of housing provident funds may be ordered by the relevant government authority to make full payment of the outstanding amount within a prescribed time limit. If the employer fails to make full payment within the prescribed time limit, the relevant government authority may apply to the People's Court of the PRC for enforcement.</p> <p>According to our PRC Legal Advisor, the administrative arrangements in engaging third party agents to assist with registration and payments of social insurance and housing provident funds are not in strict compliance with the relevant PRC laws and regulations, since the obligation to make such contributions shall rest on the Group and should not be delegated to a third party agent.</p>	<p>Our PRC Legal Advisor confirmed that the relevant government authorities have the authority and are competent in giving the confirmations. In view of the confirmations and the interviews conducted with the relevant government authorities, our PRC Legal Advisor is of the view that the risk of our Group being penalised is remote.</p> <p>On the basis that (i) we have obtained written confirmation issued by the relevant authorities and have conducted interviews with the relevant government authorities; (ii) our PRC Legal Advisor is of the view that the risk of our Group being penalised is remote; and (iii) our Controlling Shareholders have agreed to indemnify our Group for any demand or penalty arising from this non-compliance incident, our Directors believe that this non-compliance incident has no material impact on our business operations or our financial condition, and does not reflect negatively on the ability of our Group, our Directors or our senior management to operate in a compliant manner.</p>	<p>Furthermore, our Controlling Shareholders have agreed to indemnify our Group for any loss arising from such non-compliance incident in connection to our Group.</p>	

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From time to time, we may be involved in legal proceedings in the ordinary course of our business. Nevertheless, during the Track Record Period and as at the Latest Practicable Date, we had not been a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material and adverse effect on our business, financial condition, and results of operations.

### **ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS**

We do not operate any production facilities. Therefore, we are not subject to any significant health, safety or environmental risks. We do not expect any material liabilities or expenditures to be incurred in these respects. During the Track Record Period and as at the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, safety or environmental regulations.

### **CORPORATE SOCIAL RESPONSIBILITY**

We have aimed for long-term sustainable growth since our inception. To achieve this aim, we strive to work with all stakeholders to ensure that our Group is not only an exceptional intelligent CRM services provider, but also a respected market leader. This includes continually assessing and improving our role in the communities and environment in which we operate. We are therefore committed to working with our partners, clients, investors, employees, and society as a whole to play our part in building a healthy, robust and sustainable future.

#### **Economic responsibility and employee care**

We strive to consistently reach our business and development targets in order to create value which will enable us to reinvest in our talents, as we believe that our talents are an integral part of our success. We have invested significant resources in career development and training for our employees of all levels. Such training includes newcomers' training, on-the-job training, professional development seminars and accredited educational courses. We also have comprehensive review systems and promotion pathways in place to clarify the career advancement opportunities within the Group for our employees. By providing resources for professional development and a clear career pathway, we foster a corporate culture of professionalism and demonstrate to our employees that we value their contributions.

We also offer a comprehensive compensation and benefits package, with competitive salaries, bonuses, maternity leave, and other allowances, on top of social insurance and housing provident fund contributions. We also embrace diversity and inclusion, so all our employees enjoy equal opportunities in all respects, ranging from recruitment, training, welfare coverage, career and personal development during their time with us. Besides, we will also continue to encourage a culture of work-life balance, in order to create a positive and comfortable work environment for our employees. For details, please refer to the paragraph headed "Employees — Compensation and benefits" in this section. We treat all employees equally regardless of age, race or sex.

### **Environmental responsibility**

We are committed to reducing our environmental impact. Although we do not believe that the intelligent CRM services industry is a major source of environmental concerns, we believe that everyone in society should do their part in conserving the environment.

As such, we have adopted environmentally friendly practices and policies, including but not limited to:

- switching off all electronic equipment and light when they are not in use;
- installing energy saving lights;
- encouraging waste avoidance by providing recycling bins at easily accessible points;
- using electronic channels for internal communication to minimise paper waste;
- encouraging double-side printing and reusing of waste paper. Paper for single-side printing would be only adopted when handling official documents and confidential documents when necessary; and
- switching off all the air conditioner after normal business hours and during non-working days. Encouraging our employees to close the doors and windows when the air conditioners are turned on while the temperature should not be set lower than 26 degrees in summer, and arranging technicians to maintain the cooling systems regularly.

### **Social responsibility**

We have made contribution to the welfare of society and sharing our corporate social responsibility. For example, we have made charitable contribution in poverty alleviation fund. We also take up social responsibility by communicating with community stakeholders to understand their needs. Our Group encourages employees to participate in social and charitable activities and promotes harmony in social development.



## **DATA PRIVACY AND DATA SECURITY**

Our services involve possession, processing and analysis of data provided by our clients during the course of our business. As such, we have established and implemented policies and procedures to safeguard data privacy and data security and to ensure our compliance with the relevant laws and regulations. Set forth below are the summary of our related policies and procedures:

### **Data access and usage**

To prevent any unauthorised access to or illegitimate use of data, we only grant access to employees holding specific positions at certain levels to data on a need-to-know basis and maintain records of such employees and we do not need to access or use any sensitive personal data (i.e. data relating to an individual and can be used to identify such individual) during our course of business.

### **Data security system and infrastructure**

To reinforcing data protection, we deploy different encryption methods at both software or APP and infrastructure levels. Data collected in the course of our business is stored on our database secured by firewall subject to additional encryption and decryption procedures. We adopt Secure Hash Algorithm 256 and m5d+salt for the encryption and decryption of data to avert data leakage to secure communications and transmission of data, thereby maintaining the security and confidentiality of data in the event of an attack on our database or data leakage.

### **Data security policies**

To mitigate the risks of misusing of data, we provide data security and protection training to our employees on a regular basis. According to our internal policies, our employees would be penalised for breaching of our data security policies, the level of penalty depend on the severity and frequency of the breach. We also maintain contingency plans and conduct regular data backup and recovery tests to enhance the resilience, reliability and stability of our systems. We have set up a data security team consisting of 18 members, which is responsible for its data security and data compliance. Some members have obtained the ITIL (Information Technology Infrastructure Library) Foundation Certificates in IT Service Management and the core members have at least three years of working experience in the IT industry. Our employees are required to report any data security incident (e.g. leakage or loss of confidential data) to our data security team which will then investigate the causes of the incident, monitor the implementation of any rectification measures and any follow up measures to be taken by the responsible department or team to prevent recurrences of similar incidents. Our system has passed ISO27001 (Information Security Management System Certification), an internationally recognised standard for information security management system.

During the Track Record Period, we did not experience any material data leakage or loss of data and we were not subject to any administrative investigation, or punishment in relation to network security, data protection or other similar incidents. We believe we had

complied with the applicable laws and regulations on the collection, possession, use and disclosure of data in all material respects during the Track Record Period and up to the Latest Practicable Date.

Where collection of personal information is involved, we require our clients to provide in service contract that they shall comply with all relevant laws applicable to procession of personal information, and they shall bear all liabilities arising out of the data and information provided by them to us.

During the Track Record Period, we had not performed any audit in relation to the data privacy and security as such audit is not mandatorily required under PRC laws and regulations.

### **Data privacy and protection laws and regulations**

In terms of data collection, the Cybersecurity Law provides that network operators shall abide by the “lawful, justifiable and necessary” principles to collect and use personal information by announcing rules for collection and use, expressly notifying the purpose, methods and scope of such collection and use, and obtain the consent of the person whose personal information is to be collected. Network operators shall not disclose such information to others without prior consent of the person whose personal information has been collected. As advised by our PRC Legal Advisor, if we fail to meet the aforesaid requirements, we could be subject to rectification orders and one or combination of the following actions, depending on the severity of the circumstance: warning, confiscation of illegal earnings, a fine equivalent to more than one but less than 10 times the illegal earnings, or a fine less than RMB1 million.

In terms of data management and data security, Data Security Law stipulates that whoever carries out data processing activities shall establish a sound data security management system throughout the whole process, organise data security education and training, and take corresponding technical measures and other necessary measures to ensure data security, in accordance with the provisions of laws and regulations. If we fail to perform the said data security and protection obligations, we may be subject to the authorities’ rectification orders and warning, and may be concurrently fined not less than RMB50,000 but not more than RMB500,000.

Our Directors confirm that the Group has never been subject to any penalties or claims for violating applicable data security or cybersecurity laws and has adopted the relevant measures to satisfy the said data security and cybersecurity requirements.

As (i) we have adopted measures and policies regarding personal information and data security pursuant to applicable laws and regulations; (ii) our PRC Legal Advisor has conducted public search and there was no revealed public record of violation of applicable personal information and data security laws and regulations in relation to us; (iii) our Directors confirm that the Group has never been subject to any penalties or claims for violating applicable personal information and data security laws and regulations; and (iv) we will closely monitor and assess further regulatory developments regarding cybersecurity and data security laws, including the development on cybersecurity review,

and comply with the latest regulatory requirements. Based on the above, our Directors and our PRC legal advisor are of the view that our Group in all material respects complies with all applicable PRC laws and regulations with respect to data privacy and protection and has never been subject to any penalties or claims for violating applicable data security or cybersecurity laws.

## **RISK MANAGEMENT AND INTERNAL CONTROL**

We established, and currently maintain, risk management and internal control systems consisting of policies and procedures which we consider appropriate for our business operations. We are dedicated to continually improving these systems. We adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as information technology, financial reporting, compliance, and human resources. Our Board is responsible for the establishment and updating of our internal control systems, while our senior management monitors the daily implementation of the internal control procedures and measures with respect to each subsidiaries and functional departments.

### **Information and data security risk management**

To ensure a healthy and sustainable development of our business, we are dedicated to building and maintaining well-functioning information security management and operational risk management systems, including policies and procedures.

During the course of business, we handle and process clients' data which is stored on the cloud platform. Other than sending text messages via the phone number provided by our clients, we do not collect or utilise the data and only provide reports or analysis subject to clients' demands. As such and as advised by our PRC Legal Advisor, we have never been subjected to any penalties or claims for violating applicable data security or cybersecurity laws. We have adopted a rigorous encrypted algorithm to store data and have strictly executed a data access and transmitting policy to ensure the confidentiality of our client data. We have also developed strict internal control and data accessing mechanisms and detailed approval and operation procedures regarding client data processing. Under such mechanisms and procedures, any operation violating information security regulations will result in internal disciplinary action. In general, the information that our staff have access to is anonymous and insensitive. Our staff are expected to undertake trainings on data protection, which we organise regularly.

We also have a comprehensive data backup system to encrypt and store data on servers in different locations in order to minimise the risk of data loss. In addition, we conduct data restoration tests to examine the status of the backup system on a regular basis.

Furthermore, our data security team is also responsible for inspecting any suspicious data deriving and transmitting activities, as well as enhancing our data protection system pursuant to the changes of laws and regulations and technology development. Meanwhile, this team takes charge of reviewing, discussing and improving our technologies in managing information security and our internal control system to ensure adequate protection is given to our user data.

The Group has not experienced any disruption, loss of data and/or complaint received from the clients that materially affected the Group's operation during the Track Record Period.

### **Intellectual property risk management**

Aside from making trademark and patent registration applications, we have also adopted the following key measures to manage our intellectual property risk: (i) establishing a dedicated intellectual properties legal taskforce to guide, manage, supervise and monitor our daily work regarding intellectual properties; (ii) applying for registration of our intellectual properties before we commence relevant business; (iii) timely registration, filing and application for ownership of our intellectual properties; (iv) actively tracking the registration and authorisation status of intellectual properties and take action in a timely manner if any potential conflicts with our intellectual properties are identified; (v) separating physical areas for technology development areas and business secrets protection areas which are only accessible with authorisation under strict visiting rules; and (vi) clearly stating all rights and obligations regarding the ownership and protection of intellectual properties in all employment contracts and commercial contracts we enter into.

### **Operational risk management**

We pay detailed attention to the review of contents published by our clients. We have developed a proprietary intelligent content censor system, which leverages the machine learning technology to judge within several seconds whether the contents published by clients (including texts, graphics, and videos) have violated or is likely to violate any policies, and we manage this accordingly, through measures such as blocking such publication publishing. At the same time, we created an operational risk management team, members of which conduct comprehensive reviews of suspicious contents and important components combining the results from our AI review system.

In addition, end customers can give feedback or report any violating contents of our clients through different channels. Our operational risk management group will delete or remove offending contents and punish relevant clients according to applicable laws and regulations.

### **Regulatory compliance risk management**

In order to effectively manage our compliance and legal risk exposures, we adopt strict internal procedures to ensure compliance of our business operations with the relevant rules and regulations.

In accordance with these procedures, our in-house legal department performs the basic function of reviewing and updating the form of contracts we enter with our clients. Our legal department examines the contract terms and reviews all relevant documents for our business operations, including licences and permits obtained by the counterparties to perform their obligations under our business contracts and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements.

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We also have in place detailed internal procedures to ensure that our in-house legal department reviews our services and distribution contents, including upgrades to existing services, for regulatory compliance before such services and distribution contents are made available to the general public. Our in-house legal department is responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities, within the prescribed regulatory timelines.

We continually improve our internal policies in accordance with changes in laws, regulations and industry standards, and update internal templates for legal documents. We undertake compliance management over various aspects of our operations and employee activities. We have also established an accountability system in respect of employees' violations of laws, regulations and internal policies. In addition, we continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

We have an employee handbook in place, which has been approved by our senior management and distributed to all our employees. It 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 to explain the guidelines contained in the employee handbook.

### **Financial reporting risk management**

We have a set of policies in connection with our financial reporting risk management, such as financial system management, assets protection management, budget management, and operation analysis management. We also have procedures in place to implement such policies, which our financial department follows when reviewing our management accounts. In addition, we provide regular training to our financial department staff to ensure that they understand our accounting policies and procedures.

### **Internal control risk management**

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. To ensure the effectiveness of our internal control, our business department (i.e. cPaaS and SaaS departments) works closely with our operational departments (i.e. legal and compliance, finance, and procurement department). Our internal control team would also conduct regular reviews to monitor the status and effectiveness of our risk management procedures and policies, to ensure the effectiveness and adequacy of our procedures and policies in place.

## **LICENCES AND PERMITS**

According to the Telecommunication Regulation of the PRC (2016 Revision) (《中華人民共和國電信條例(2016年修訂)》) and Classified Catalogue of Telecommunications Services (Version 2015) (《電信業務分類目錄(2015年版)》), information service providers (excluding internet information services) shall obtain service provider licences (the “SP

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**Licence**”), internet data centre operators shall obtain internet data centre licences (the **“IDC Licence”**), and internet service providers shall obtain internet service provider licences (the **“ISP Licence”**).

According to Administrative Measures on Internet Information Services (互聯網信息服務管理辦法), internet information services are categorised into commercial and non-commercial internet information services, and commercial internet information services providers shall obtain the ICP Licence. Dejiu obtained the IDC, ISP and ICP Licence in July 2021.

As at the Latest Practicable Date, as advised by our PRC Legal Advisor, we had obtained all material licences, permits and approvals required for our business operations. Our PRC Legal Advisor also advised us that there was no material legal impediment to renew such licences, approvals and permits as at the Latest Practicable Date. The following table sets forth details of our material licences and permits.

Licence/Permit	Holder	Granting Authority	Grant Date	Expiry Date
ICP Licence	Dejiu	Guangdong Communications Administration	30 July 2021	30 July 2026
IDC and ISP Licence	Dejiu	Ministry of Industry and Information Technology of the PRC	16 July 2021	28 November 2022
SP Licence	Xuan Wu	Ministry of Industry and Information Technology of the PRC	22 June 2021	22 June 2026
SP Licence	Guangzhou Guanghan	Ministry of Industry and Information Technology of the PRC	21 April 2021	21 April 2026
SP Licence	Guangzhou Xingjian	Ministry of Industry and Information Technology of the PRC	21 May 2021	21 May 2026
SP Licence	Guangzhou Shangyu	Ministry of Industry and Information Technology of the PRC	11 February 2020	11 February 2025
SP Licence	Beijing Xiuwu	Ministry of Industry and Information Technology of the PRC	13 January 2020	13 January 2025

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Licence/Permit	Holder	Granting Authority	Grant Date	Expiry Date
SP Licence	Guangzhou Zhengjun	Ministry of Industry and Information Technology of the PRC	25 June 2018	25 June 2023
SP Licence	Henan Shangfang	Ministry of Industry and Information Technology of the PRC	21 October 2021	21 October 2026
SP Licence	Guangzhou Xuxin	Ministry of Industry and Information Technology of the PRC	10 January 2019	25 June 2023
SP Licence	Guangzhou Zhongmai	Ministry of Industry and Information Technology of the PRC	30 July 2021	30 July 2026
SP Licence	Guangzhou Xuanxun	Ministry of Industry and Information Technology of the PRC	25 May 2021	25 May 2026
SP Licence	Guangzhou Jixin	Ministry of Industry and Information Technology of the PRC	25 October 2018	25 October 2023
SP Licence	Tianjin Xingjian	Ministry of Industry and Information Technology of the PRC	21 February 2022	21 February 2027

We expect to obtain renewed licences and permits before their expiration dates. Our Directors are of the view, and our PRC Legal Adviser opined, that we will not encounter material difficulties in renewing the above licences and/or permits.

### AWARDS AND RECOGNITIONS

During the Track Record Period, we received awards and recognitions in respect of our services, technology and innovation. The following table sets out the details of some of the notable awards and recognitions which we have received:

Award/Recognition	Year	Awarding body
Smart Service Award for Consumer Goods Industry of the Year (年度消費品行業智慧服務獎)	2021	CGCA 2021 China Consumer Goods Industry CIO Conference (CGCA 2021中國消費品行業CIO年會)
Top 20 Internet Enterprises in Guangzhou (廣州互聯網企業20強)	2021	Guangzhou Internet Society (廣州互聯網協會)

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Award/Recognition	Year	Awarding body
Digital Economy Benchmarking Company (數字經濟標杆企業)	2021	Guangzhou Internet Society (廣州互聯網協會)
Leading Private Enterprise in Guangzhou (廣州市民營領軍企業)	2021	Guangzhou Municipal Industry and Information Technology Bureau (廣州市工業和信息化局)
New Guangdong Enterprise in the Software Industry of Guangdong Province (廣東省軟件行業新粵企業)	2020	Guangdong Software Industry Association (廣東軟件行業協會) and Yangcheng Evening News (羊城晚報社)
2018-2020 “Most Trustworthy” Enterprise in Guangdong (2018-2020年度廣東省“守合同重信用”企業)	2018-2020	Guangzhou Municipal Administration for Market Regulation (廣州市市場監督管理局)
Provincial Corporate Technology Centre, Guangdong Province (廣東省省級企業技術中心)	2019	Department of Industry and Information Technology of Guangdong Province (廣東省工業和信息化廳)
Recognised High-Tech Enterprise (高新科技企業)	2018	Guangdong Association for Science and Technology (廣東省科學技術廳), Department of Finance of Guangdong Province (廣東省財政廳) and Guangdong Provincial Tax Service, State Taxation Administration (國家稅務局廣東省稅務局)
2018 List of Unicorns in Guangzhou — Top Growth Rate Enterprise (2018廣州獨角獸榜單 — “高精尖”成長企業)	2018	Guangzhou Technological and Innovative Enterprise Association (廣州科技創新企業協會)
2016 Top 100 Most Investment-Worthy Enterprise in the New OTC Market — Internet segment (2016新三板互聯網企業最具投資價值百強企業)	2016	China’s New OTC Market Top 100 Enterprises Nomination Committee (中國新三板互聯網百強評選組委會)



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<b>Award/Recognition</b>	<b>Year</b>	<b>Awarding body</b>
20th China International Soft Infrastructure Exhibition — Gold Award (第二十屆中國國際軟基建博覽會金獎)	2016	China International Software Expo Organisation Committee (中國國際軟件博覽會組委會)
Enterprise with AAA Credit Rating	2016	Internet Society of China (中國互聯網協會)
Guangzhou Innovative Technology — 3rd Tier Enterprise (廣州市科技進步獎三等獎)	2015	Guangzhou People's Government (廣州市人民政府)

## CONTRACTUAL ARRANGEMENTS

### BACKGROUND TO THE CONTRACTUAL ARRANGEMENTS

As described below, the businesses which we currently operate, i.e. provision of CRM PaaS services and CRM SaaS services, are subject to foreign investment restrictions under the current PRC laws and regulations. The provision of CRM PaaS services and CRM SaaS services falls within the scope of value-added telecommunication services which are subject to holding of valid SP Licence, and therefore, subject to foreign investment restriction.

In addition, the principal activities of some Consolidated Affiliated Entities are to undertake code numbers and procure channel resources including short message access codes from operators for members of the Group. Our PRC Legal Advisor takes the view that the aforesaid activities comply with the laws and regulations in the PRC, provided that each of the relevant Consolidated Affiliated Entities shall be in possession of a valid SP Licence.

After consultation with our PRC Legal Advisor, we determined that it was not viable for our Company to hold Xuan Wu and its subsidiaries directly through equity ownership. Instead, we decided that, in line with common practice in industries subject to foreign investment restrictions in the PRC, we would gain effective control over the Consolidated Affiliated Entities and receive the economic benefits generated by the Consolidated Affiliated Entities through the Contractual Arrangements among Xuantao, Xuan Wu and the Registered Shareholders.

In order to comply with the PRC laws and regulations, while availing ourselves of international capital markets and maintaining effective control over all of our operations, we commenced a series of reorganisation activities. Pursuant to the Reorganisation, the agreements under the Contractual Arrangements were signed on 10 August 2021 and 29 December 2021, whereby Xuantao acquired effective control over the Consolidated Affiliated Entities and has become entitled to the economic benefits derived from the operations of the Consolidated Affiliated Entities. As a result, we do not directly own any equity interest in Xuan Wu and its subsidiaries.

The consolidated revenue generated by the Consolidated Affiliated Entities was approximately RMB518.8 million, RMB600.2 million, RMB796.8 million and RMB991.9 million for the four years ended 31 December 2021 respectively.

Our Directors believe that the Contractual Arrangements are narrowly tailored as they are used to enable our Group to conduct the business of providing value-added telecommunication services, which is subject to foreign investment restrictions of the PRC. Our Directors also believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into among Xuantao, Xuan Wu and its subsidiaries and the Registered Shareholders, (ii) by entering into the exclusive business cooperation agreements (獨家業務合作合同) dated 10 August 2021 and 29 December 2021 with Xuantao, which is a wholly-owned PRC subsidiary of our Company, Xuan Wu and its subsidiaries will enjoy better economic and technical support from us, as well as a better market reputation after the Listing, and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

## CONTRACTUAL ARRANGEMENTS

Further, our PRC Legal Advisor is of the opinion that in accordance with the provisions of the Company Law and the articles of association of the subsidiaries of Xuan Wu, Xuan Wu, as the sole shareholder or the controlling shareholder of the subsidiaries (as the case may be), is entitled to decide all material respects of the subsidiaries' operation and management. In addition, according to the Proxy Agreements and the Powers of Attorney (as defined below), the Registered Shareholders appoint Xuantao and any person designated by Xuantao as their proxy to manage their equity interests in Xuan Wu and exercise all their shareholder's rights in Xuan Wu on their behalf. Therefore, Xuantao can control Xuan Wu through the Contractual Arrangements and our Group can eventually control the subsidiaries of Xuan Wu through Xuantao. Based on the above, the Directors are of the view that the above arrangement can ensure the economic benefits generated from the operations of the Consolidated Affiliated Entities will flow to Xuantao and hence, the Group as a whole, and can provide the same level of protection for the Shareholders as direct control over the subsidiaries of Xuan Wu.

### Reasons for adoption of the Contractual Arrangements

Pursuant to the Foreign Investment Negative List, provision of value-added telecommunication services falls within the "restricted" category. As such, the shareholding percentage of a foreign investor in companies engaged in value-added telecommunication services shall not exceed 50% (the "**Foreign Ownership Restrictions**").

According to the Regulations on the Administration of Short Message Service (通信短信息服务管理規定), those who operate short message service ("**SMS**") shall obtain the telecommunication business licence according to the PRC laws. In particular, Article 6 of the Regulations on the Administration of Short Message Service provides that an operator of basic telecommunication business shall not, without telecommunication business licence, provide network or access service for sending SMS to any institution or individual. Accordingly, for access to the network maintained by telecommunication network operators for sending SMS, each of the Consolidated Affiliated Entities must obtain and has obtained the SP Licence.

### Qualification requirements under FITE Regulations

Article 10 of the Administrative Provisions on the Administration of Foreign-funded Telecommunication Enterprises (外商投資電信企業管理規定) (the "**FITE Regulations**") further provides that a major foreign investor which invests in a value-added telecommunication business in the PRC must possess prior experience in, and a proven track record of good performance of, operating value-added telecommunication businesses overseas (the "**Qualification Requirements**"). Foreign investors that meet these requirements must obtain approvals from the MIIT which retain discretion in granting such approvals.

The MIIT issued the Guidance Memorandum (外商投資經營電信業務審批服務指南). According to this Guidance Memorandum, a foreign investor applicant is required to provide the proof of the satisfaction of the Qualification Requirements. The Guidance Memorandum, however, does not provide any further guidance on the proof, record or document required to support the proof satisfying the Qualification Requirements.

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### The narrowly tailored Contractual Arrangements


We are of the view, and the Sole Sponsor concurs, that our Contractual Arrangements are narrowly tailored to minimise the potential conflict with relevant PRC laws and regulations.

Our PRC Legal Advisor consulted the MIIT in May of 2021 (the “**Consultations**”) on the matters relating to the FITE Regulations, Qualification Requirements, Contractual Arrangements and the Group’s SP Licence. We were advised by our PRC Legal Advisor that:

- both the Group’s CRM PaaS services and CRM SaaS services fall within the value-added telecommunication businesses and SP Licence are required in the Group’s business operation in both types of services;
- each of our Consolidated Affiliated Entities is required to hold an SP Licence for provision of CRM PaaS and/or CRM SaaS services;
- in the case of our Group, even if the overseas holding company can meet the Qualification Requirements, the MIIT will not give its approval on our Group’s application for or renewal of SP Licence due to policy and regulatory reasons;
- if our Group is unable to apply for or renew its SP Licence, its carrying out of the existing CRM PaaS and CRM SaaS services will be in breach of the PRC law; and
- the Contractual Arrangements require no approval from the MIIT and the MIIT has not promulgated any regulation to prohibit the Contractual Arrangements.

Based on the Consultations, in order for our Group to carry out its current businesses in compliance with the PRC laws, all our Group’s entities must be held under the Contractual Arrangements due to the foreign ownership restriction.

We are currently implementing a business plan with an aim to build up a track record of overseas CRM PaaS services and CRM SaaS services by taking the following concrete steps to ensure compliance with the Qualification Requirements:

- (a) we have registered a number of domain names (including “xuanwu.hk” and “xuanwucloud.hk”) out of the PRC, and will construct an English website that will help potential overseas users to better understand our services and businesses;
- (b) we have registered a number of trademarks outside the PRC, including but not limited to “”, “**玄讯**” and “**即信**” for the promotions of our services and business overseas;

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- (c) we have established a subsidiary in Hong Kong (namely Xuan Wu HK) for the purpose of registering and holding overseas intellectual properties, promoting our services and business, and entering into business contracts with offshore counterparties; and
- (d) through our offshore subsidiaries, we have been gradually exploring business opportunities for the CRM PaaS services and CRM SaaS services in overseas markets.

The PRC Legal Advisor is of the view that the above steps are generally regarded as relevant and reasonable factors to prove that the Qualification Requirements will be fulfilled.

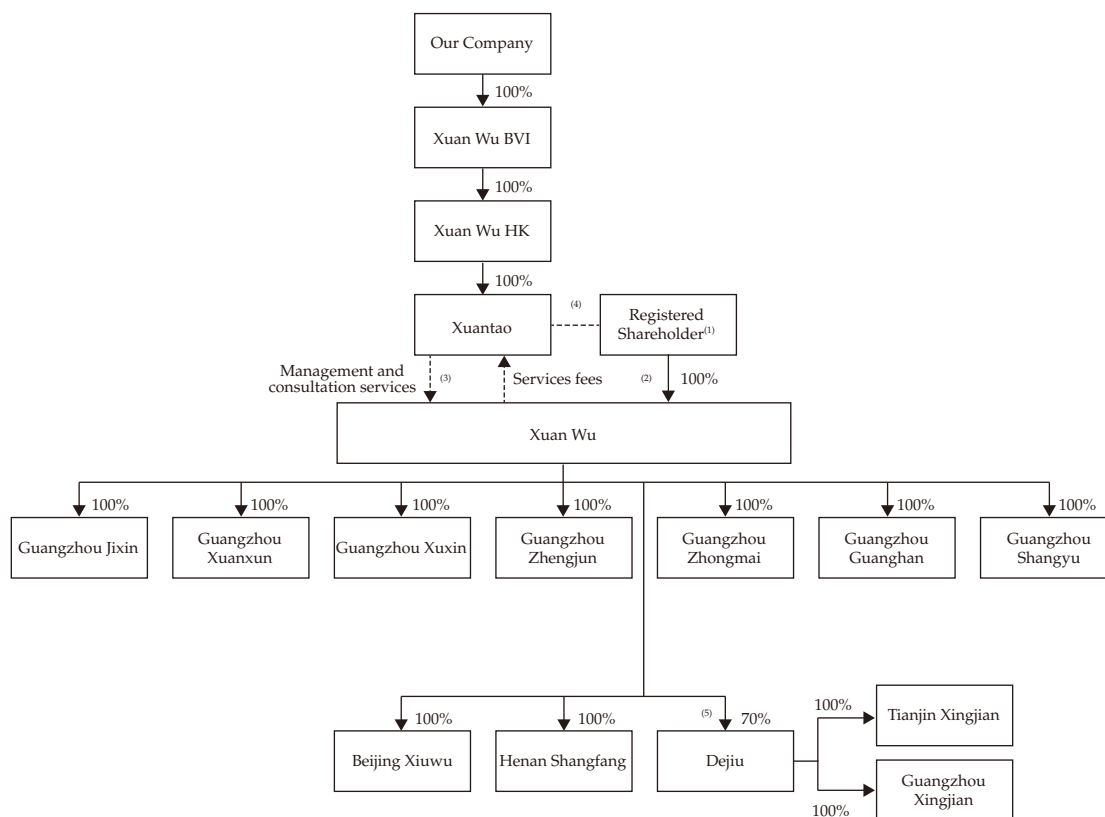
We will communicate with the relevant authorities on a regular basis following the Listing to keep abreast of any regulatory developments and assess whether it is qualified to meet the Qualification Requirements, with a view to unwinding the Contractual Arrangement wholly or partially as and when practicable and permissible under the prevailing PRC laws.

We will, as applicable and when necessary, disclose the progress of our overseas business plans and any updates to the Qualification Requirements in our annual and interim reports to inform Shareholders and other investors after the Listing. We will also make periodic inquiries to the competent PRC governmental authorities to understand any new regulatory development and assess whether our level of overseas experience is sufficient to meet the Qualification Requirements.

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The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements:



*Notes:*

1. Registered Shareholders refer to the registered shareholders of Xuan Wu, namely together with their shareholding in Xuan Wu, Mr. Chen (holding 19.1980%), Mr. Song (holding 16.9416%), Mr. Huang (holding 12.6085%), Mr. Li (holding 10.4867%), Guangzhou Xuandong (holding 5.9894%), Guangzhou Xuanxi (holding 3.4225%), Guangzhou Xuannan (holding 2.5669%), Guangzhou Xuanbei (holding 2.5669%), Shanghai Fosun (holding 5.9728%), Mr. Xie (holding 4.8312%), GF Qianhe (holding 3.3274%), Mr. Guo Haiqiu (holding 2.5669%), Guangzhou Zhengxin (holding 2.2817%), GL Venture Capital (holding 1.9014%), SZR Investment (holding 0.9602%), Mr. Chen Zhengxu (holding 0.9583%), Mr. Wu Fugui (holding 0.9583%), GF Securities (holding 0.9469%), Chengda Coastal (holding 0.5894%), Mr. Zhang Wei (holding 0.4259%), CITIC Securities (holding 0.3803%), Zhuhai Qingshi (holding 0.0608%), Mr. Zhang Boxiao (holding 0.0378%), Mr. Tang Bin (holding 0.0164%) and Mr. Sun Junwen (holding 0.0038%).
2. "—>" denotes legal and beneficial ownership in the equity interest.
3. "----->" denotes contractual relationship among Xuantao and Xuan Wu and its subsidiaries.

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4. “-----” denotes the control by Xuantao over the Registered Shareholders and Xuan Wu and its subsidiaries through (1) powers of attorney to exercise all shareholders’ rights of the Registered Shareholders in Xuan Wu and Xuan Wu in its subsidiaries, (2) exclusive options to acquire all or part of the equity interests of in Xuan Wu from the Registered Shareholders and in Xuan Wu’s subsidiaries from Xuan Wu; and (3) equity pledges over the equity interests of the Registered Shareholders in Xuan Wu and Xuan Wu in its subsidiaries.
5. The remaining 30% equity interest in Dejiu is held by Mr. Luo Zhijian (羅志堅) who has been acting as a director of Dejiu, Tianjin Xingjian and Guangzhou Xingjian.

We will unwind and terminate the Contractual Arrangements wholly or partially once our businesses are no longer restricted from foreign investment under the PRC laws.

### SUMMARY OF THE MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

A description of each of the specific agreements that comprise the Contractual Arrangements entered into among Xuantao, Xuan Wu and its subsidiaries and the Registered Shareholders is set out below.

#### **Exclusive Business Cooperation Agreements (《獨家業務合作合同》)**

Under the exclusive business cooperation agreements dated 10 August 2021 and 29 December 2021 entered into among Xuantao, Xuan Wu and its subsidiaries and the Registered Shareholders (the “**Exclusive Business Cooperation Agreements**”), in exchange for an annual service fee, Xuan Wu and its subsidiaries agreed to engage Xuantao as their exclusive provider of technical support, consultation and other services, including but not limited to the following services:

- (1) development, maintenance and update of the software in respect of Xuan Wu’s and its subsidiaries’ business;
- (2) design, installation, maintenance and update of computer network systems, hardware and database design;
- (3) provision of technical support and professional training services for relevant employees of Xuan Wu and its subsidiaries;
- (4) provision of business strategies consultation;
- (5) provision of procurement, sales and business management consultation;
- (6) provision of human resource services;
- (7) provision of business finance and management services;
- (8) providing business related information system services;
- (9) provision of internal control services;

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- (10) provision of assistance in consultation, collection and research of relevant technology and market research;
- (11) provision of business strategic development and planning consultation;
- (12) provision of marketing and promotional services;
- (13) provision of customer order management and customer services; and
- (14) other relevant services requested by Xuan Wu and/or its subsidiaries from time to time to the extent permitted under PRC laws.

Under the Exclusive Business Cooperation Agreements, the service fees shall be the total consolidated profit of Xuan Wu after deduction of any operating costs, depreciation, other expenses and relevant taxes.

During the term of the Exclusive Business Cooperation Agreements, Xuantao shall enjoy the economic benefits and bear business risks arising from the operations of Xuan Wu and its subsidiaries. Xuantao may also provide financial support to Xuan Wu and its subsidiaries in the form of bank's loans, lending and guarantee.

In addition, in the absence of the prior written consent of Xuantao, during the term of the Exclusive Business Cooperation Agreements, with respect to the services and other matters subject to the Exclusive Business Cooperation Agreements, Xuan Wu and its subsidiaries shall not enter into any same or similar exclusive business cooperation agreement with any third party, accept in any way, directly or indirectly, the same or any similar services provided by any third party and shall not establish cooperation relationships similar to that formed by the Exclusive Business Cooperation Agreements with any third party.

The Exclusive Business Cooperation Agreements also provide that Xuantao has the sole and exclusive proprietary rights to and interests in any and all intellectual property rights developed or created during the performance of the Exclusive Business Cooperation Agreements.

The Exclusive Business Cooperation Agreements were entered into on 10 August 2021 and 29 December 2021 and shall remain effective for 10 years therefrom, subject to Xuantao's discretion to further renew its validity period. The Exclusive Business Cooperation Agreements may also be terminated in writing by Xuantao 30 days in advance.

### **Exclusive Option Agreements (《獨家購買權合同》)**

Under the exclusive option agreements dated 10 August 2021 and 29 December 2021 among Xuantao, Xuan Wu and its subsidiaries and the Registered Shareholders (the "Exclusive Option Agreements"), Xuan Wu and its subsidiaries and the Registered Shareholders agreed to grant Xuantao an irrevocable and exclusive right to require,



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without additional conditions, (i) each of the Registered Shareholders to transfer any or all their equity interests in Xuan Wu; (ii) Xuan Wu to transfer any or all of the assets it held; (iii) Xuan Wu to transfer any or all their equity interests in any of its subsidiaries and/or (iv) any of the subsidiaries of Xuan Wu to transfer any or all of the assets it held, to Xuantao and/or a third party designated by it, at any time and from time to time, at the lowest purchase price that is permitted by the PRC laws.

Xuan Wu and its subsidiaries and the Registered Shareholders, among other things, have covenanted that:

- (1) without the prior written consent of Xuantao, they shall not in any manner supplement, change or amend the constitutional documents of Xuan Wu and its subsidiaries, increase or decrease its registered capital, or change the structure of its registered capital in other manner;
- (2) they shall maintain corporate existence of Xuan Wu and its subsidiaries in accordance with good financial and business standards and practices, obtain and maintain all necessary government licences and prudently and effectively operate its business and handle its affairs;
- (3) without the prior written consent of Xuantao, they shall not at any time following the signing of the Exclusive Option Agreements sell, transfer, pledge or dispose of in any manner any assets, business, revenue or other legal or beneficial interest of Xuan Wu and its subsidiaries of more than RMB1,000,000, or permit the encumbrance thereon of any security interest;
- (4) without the prior written consent of Xuantao, Xuan Wu and its subsidiaries shall not incur or inherit any debt, except for debts incurred in the ordinary course of business other than payables incurred by a loan;
- (5) Xuan Wu and its subsidiaries shall always operate all of its businesses in the ordinary course of business and refrain from any action/omission that may cause adverse effects to operating status and asset value of Xuan Wu and its subsidiaries;
- (6) without the prior written consent of Xuantao, they shall not cause Xuan Wu and its subsidiaries to execute any material contract with a value above RMB1,000,000, except the contracts executed in the ordinary course of business;
- (7) without the prior written consent of Xuantao, they shall not cause Xuan Wu and its subsidiaries to provide any person with any loan or provide any guarantee for the debts of any third party;
- (8) they shall provide Xuantao with all information on business operations and financial condition of Xuan Wu and its subsidiaries at the request of Xuantao;
- (9) without the prior written consent of Xuantao, they shall not cause or permit Xuan Wu and its subsidiaries to merge or consolidate with, acquire or invest in any person;

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- (10) they shall immediately notify Xuantao of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to assets, business, revenue of or equity interest in Xuan Wu and its subsidiaries;
- (11) to maintain the (i) ownership by Xuan Wu and its subsidiaries of all of their assets (ii) ownership by the Registered Shareholders of the equity interest in Xuan Wu and (iii) ownership by Xuan Wu of the equity interest in its subsidiaries, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;
- (12) without the prior written consent of Xuantao, Xuan Wu and its subsidiaries shall not in any manner distribute dividends to their shareholders, provided that upon the request of Xuantao, Xuan Wu and its subsidiaries shall immediately distribute profits to their shareholders;
- (13) at the request of Xuantao, they shall appoint any persons designated by Xuantao as the directors, supervisors and senior management of Xuan Wu and its subsidiaries and/or remove any existing directors, supervisors and senior management of Xuan Wu and its subsidiaries; and
- (14) without consent of Xuantao, Xuan Wu and its subsidiaries shall not engage in any business in competition with Xuantao or its affiliates.

In addition, Xuan Wu and its subsidiaries and the Registered Shareholders, among other things, have covenanted that:

- (1) without prior written consent of Xuantao, they shall not sell, transfer, pledge or dispose of in any other manner their legal or beneficial interest in Xuan Wu and its subsidiaries, or allow the encumbrance thereon of any security interest, except for the Exclusive Option Agreements, the equity pledge agreements dated 10 August 2021 and 29 December 2021 entered into among Xuantao, the Registered Shareholders and Xuan Wu and its subsidiaries, and the interests prescribed in the proxy agreements and powers of attorney entered into by the Registered Shareholder, and procure the shareholders' meeting and the board of directors of Xuan Wu not to approve such matters;
- (2) for each exercise of the equity purchase option and asset purchase option, to cause the shareholders' meeting or the board of directors of Xuan Wu and its subsidiaries to vote for the approval of the transfer of equity interests, the transfer of assets, and any other action requested by Xuantao;
- (3) at any time at the request of Xuantao to exercise the equity purchase option and the asset purchase option, Xuan Wu shall immediately transfer its shares in its subsidiaries, and any of the Registered Shareholders shall immediately transfer his/their shares of Xuan Wu, to Xuantao or its designated person(s),

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and any Registered Shareholder and Xuan Wu shall waive any pre-emptive right that they are entitled (if any); and

- (4) Xuan Wu and each of the Registered Shareholders will transfer to Xuantao or its appointee(s) at the lowest purchase price that is permitted by the PRC laws any profit, interest, dividend or proceeds received from liquidation in accordance with the PRC laws and after the payment of any tax required under the relevant laws.

The Registered Shareholders or Xuan Wu and its subsidiaries shall return to Xuantao or any person designated by Xuantao, all the consideration that they receive in the event that Xuantao exercises options under the Exclusive Option Agreements to acquire the equity interests in and/or the assets held by Xuan Wu and its subsidiaries.

The Exclusive Option Agreements were entered into on 10 August 2021 and 29 December 2021 and shall remain effective for 10 years therefrom, subject to Xuantao's discretion to further renew its validity period. The Exclusive Option Agreements may also be terminated in writing by Xuantao 30 days in advance.

### **Equity Pledge Agreements** (《股權質押合同》)

Under the equity pledge agreements dated 10 August 2021 and 29 December 2021 entered into among Xuantao, Xuan Wu and its subsidiaries and the Registered Shareholders (the “**Equity Pledge Agreements**”), Xuan Wu and the Registered Shareholders agreed to pledge all their respective equity interests in Xuan Wu and its subsidiaries that they own, including any dividend or other benefits arising therefrom, to Xuantao as charge to guarantee the performance of contractual obligations under the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements and the Proxy Agreements (defined below).

The pledge in respect of (i) Xuan Wu and (ii) Xuan Wu's subsidiaries took effect upon the completion of registration with the relevant administration for industry and commerce by 9 March 2022, and shall remain valid until after: (1) all the contractual obligations of the Registered Shareholders and Xuan Wu and its subsidiaries under the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements, the Proxy Agreements and the Powers of Attorney (defined below) have been fully performed or terminated; (2) all the costs to be borne by the Registered Shareholders and Xuan Wu and its subsidiaries thereunder have been fully paid; or (3) Xuantao and/or designated assignee(s) has, subject to the relevant laws and regulations, purchased all the equity interests in Xuan Wu pursuant to the Exclusive Option Agreements, all such equity interest has been legally transferred to Xuantao and/or the designated assignee(s), and Xuantao and/or designated assignee(s) can legally operate the business of Xuan Wu and its subsidiaries. The Equity Pledge Agreements were entered into on 10 August 2021 and 29 December 2021 and shall remain effective for 10 years therefrom, subject to Xuantao's discretion to further renew its validity period. The Equity Pledge Agreements may also be terminated in writing by Xuantao 30 days in advance.

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Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreements), Xuantao shall be compensated for all the losses it suffered due to such default, and Xuantao shall upon written notice to Xuan Wu and/or the Registered Shareholders have the right to exercise all such rights as a party suffering breach of contract under any applicable PRC laws.

### **Proxy Agreements (《股東表決權委託合同》) and Powers of Attorney (《授權委託書》)**

Xuan Wu and the Registered Shareholders had entered into the proxy agreements (the “**Proxy Agreements**”) and executed the powers of attorney (the “**Powers of Attorney**”) on 10 August 2021 and 29 December 2021, respectively.

Under the Proxy Agreements, Xuan Wu and the Registered Shareholders appointed Xuantao and/or any person designated by Xuantao as their proxy to manage their equity interest in Xuan Wu and/or its subsidiaries and exercise all shareholder’s rights in Xuan Wu and/or its subsidiaries on behalf of the Registered Shareholders and/or Xuan Wu.

Each of the Registered Shareholders has agreed that (i) in the event of his/their death, bankruptcy, divorce, insolvency, liquidation or any other event which causes change of his/their ownership of Xuan Wu, his/their successors, liquidators and spouse shall be entitled to and bound by his/their rights, obligations and liabilities under the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements and the Equity Pledge Agreements; and (ii) unless approved by Xuantao in writing, the will, divorce agreement, voluntary arrangements and other legal instruments entered into by the Registered Shareholders shall not contain any provision that contravenes the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements, the Equity Pledge Agreements and the Proxy Agreements.

Xuan Wu has agreed that (i) in the event of its insolvency, liquidation or any other event which causes change of its ownership of its subsidiaries, its successors management or liquidators (if any) shall be entitled to and bound by its rights, obligations and liabilities under the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements and the Equity Pledge Agreements; and (ii) unless approved by Xuantao in writing, the voluntary arrangements and other legal instruments entered into by Xuan Wu shall not contain any provision that contravenes the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements, the Equity Pledge Agreements and the Proxy Agreements.

Under the Powers of Attorney, Xuan Wu and the Registered Shareholders irrevocably appointed Xuantao, its successors and any of its liquidators (if any), or its designated person(s) (including Directors and their successors and liquidators replacing the Directors) as their attorneys-in-fact to exercise on their behalf:

- (1) to file relevant documents with the relevant companies registration authority or government authority and to approve the delivery of any registration documents to the government authority;

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- (2) to exercise all shareholder's rights and shareholder's voting rights in accordance with law and the constitutional documents of Xuan Wu and its subsidiaries, including but not limited to the right to dividends, and the sale, transfer, pledge or disposal or any or all of the equity interests in Xuan Wu and its subsidiaries;
- (3) to serve as an executive director or a supervisor of Xuan Wu and its subsidiaries, and/or to exercise the corresponding functions and power pursuant to the constitutional documents of Xuan Wu and its subsidiaries;
- (4) to exercise the shareholders' voting rights at the bankruptcy, liquidation, dissolution or termination of Xuan Wu and its subsidiaries, and to form a liquidation committee to exercise the rights enjoyed by the liquidation committee during the period of liquidation in accordance with the laws, including without limitation to vote on the disposal of the assets of Xuan Wu and its subsidiaries;
- (5) to exercise the distribution right in relation to the assets remaining from the bankruptcy, liquidation, dissolution or termination of Xuan Wu and its subsidiaries;
- (6) to exercise any shareholders' right in relation to dealing with the assets of Xuan Wu and its subsidiaries in accordance with the laws, including but not limited to the right to manage the business relevant to the assets, the right to access and use of profits of Xuan Wu and its subsidiaries and the right to dispose of or acquire the assets of Xuan Wu and its subsidiaries;
- (7) to approve the annual budget and distribution of dividends of Xuan Wu and its subsidiaries;
- (8) to sign any documents, including without limitation to minutes of shareholders' meeting Xuan Wu and its subsidiaries; and
- (9) to exercise other rights pursuant to the constitutional documents of Xuan Wu and its subsidiaries.

Any non-independent persons or those who may give rise to conflict of interest will not be appointed as a designated person of Xuan Wu and its subsidiaries.

Each of the Registered Shareholders has undertaken that he will not directly or indirectly participate in, engage in, be involved in or own, or use the information obtained from Xuantaos and Xuan Wu to participate in, engage in, be involved in or own, any business which potentially competes with Xuantaos, Xuan Wu's affiliates or its main business, nor will he/they hold any interest or obtain any benefit from such business.

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The authorisation under the Powers of Attorney by the Registered Shareholders shall not cause a conflict of interest between any of the Registered Shareholders and Xuantao and/or the actual or potential interests of the appointee. If a potential conflict of interest arises between any of the Registered Shareholders and Xuan Wu on one hand, and Xuantao, our Company or its subsidiaries on the other, the Registered Shareholder shall not harm the interests of Xuantao or our Company. Where any of the Registered Shareholders serve as the director or senior management of of Xuan Wu or our Company, the Registered Shareholder shall authorise Xuantao, or other directors or senior management a directed by Xuantao, to exercise the rights under the Powers of Attorney. Each of the Registered Shareholders shall not sign with any external party any agreement which poses a conflict of interest with any agreements signed with Xuan Wu or Xuantao and its designated person(s) and which are in performance, and shall not make relevant promises. Each of the Registered Shareholders shall not cause, by action or inaction, a conflict of interest between himself and Xuantao and its shareholders. If such a conflict arises, the Registered Shareholder refuses to take steps to remove such conflict, Xuantao has the right to exercise the equity purchase option and asset purchase option under the Exclusive Business Option Agreements and any other remedial rights.

The authorisation under the Powers of Attorney by Xuan Wu shall not cause a conflict of interest between Xuan Wu and its subsidiaries and/or the actual or potential interests of the appointee. If a potential conflict of interest arises between Xuan Wu and its subsidiaries on one hand, and Xuantao, our Company or its subsidiaries on the other, Xuan Wu shall not harm the interests of Xuantao or our Company. Xuan Wu shall not sign with any external party any agreement which poses a conflict of interest with any agreements signed with its subsidiaries or Xuantao and its designated person(s) and which are in performance, and shall not make relevant promises. Xuan Wu shall not cause, by action or inaction, a conflict of interest between itself and Xuantao and its shareholders. If such a conflict arises, Xuan Wu refuses to take steps to remove such conflict, Xuantao has the right to exercise the equity purchase option and asset purchase option under the Exclusive Business Option Agreements and any other remedial rights.

Mr. Lou Zhijian (羅志堅), who owns 30% of the share capital of Dejiu, agreed that (i) if Xuantao exercises its options under the Exclusive Option Agreements to acquire the 70% of the share capital of Dejiu, he shall forfeit his preemptive rights in the relevant shares and cooperate with the necessary execution of documents and registration procedures; and (ii) in the event of his death, bankruptcy, divorce, insolvency, liquidation or any other event which causes his inability to exercise his rights as the shareholder of Dejiu, his successors (including his spouse) shall be bound by his aforesaid obligations.

The Powers of Attorney shall be irrevocable and remain effective until the Proxy Agreements are terminated or Xuantao informs Xuan Wu and the Registered Shareholder in writing the termination of the Powers of Attorney.

### **Undertakings from the Registered Shareholders**

Each of the Registered Shareholders, namely, Mr. Chen, Mr. Song, Mr. Huang, Mr. Li, the ESOP Platform, Shanghai Fosun, Mr. Xie, GF Qianhe, Mr. Guo Haiqiu, Guangzhou Zhengxin, GL Venture Capital, SZR Investment, Mr. Chen Zhengxu, Mr. Wu Fugui, GF

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Securities, Chengda Coastal, Mr. Zhang Wei, CITIC Securities, Zhuhai Qingshi, Mr. Zhang Boxiao, Mr. Tang Bin and Mr. Sun Junwen has confirmed to the effect that among other things, (i) his spouse (where applicable) does not own and does not have the right to claim any interests in the equity interest of Xuan Wu (together with any other interests therein) or exert influence on the day-to-day management by Xuan Wu, (ii) where applicable, in the event of his/their death, incapacity, bankruptcy, divorce, insolvency, liquidation or any other event which causes his/their inability to exercise his/their rights as a shareholder of Xuan Wu, he/they will take actions deemed necessary by Xuantaos to safeguard the performance of the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements, the Equity Pledge Agreements, the Proxy Agreements and the Powers of Attorney, and his/their successors, guardians, managers, liquidators, creditors, spouse or any other person that has a claim on his/their equity interest in Xuan Wu or related rights will not, under any circumstance and in any way, take any action, when such action may affect or hinder the respective Registered Shareholder and/or Xuan Wu in performing their obligations under the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements, the Equity Pledge Agreements, the Proxy Agreements and the Powers of Attorney.

### **Spouse Undertakings (《配偶承諾書》)**

The spouse of each of the Registered Shareholders, where applicable, has signed undertakings to the effect that (i) the respective individual Registered Shareholder's interests in Xuan Wu (together with any other interests therein) do not fall within the scope of communal properties, and (ii) she has no right to such interests of the respective Registered Shareholder and will not have any claim on such interests.

Our PRC Legal Advisor is of the view that (i) the above arrangements provide protection to our Group even in the event of death or divorce of any individual Registered Shareholders and (ii) the death or divorce of such individual Registered Shareholders would not affect the validity of the Contractual Arrangements, and Xuantaos can still enforce its right under the Contractual Arrangements against the Registered Shareholders.

### **Dispute Resolution**

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the interpretation and/or performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the Guangzhou Arbitration Commission for arbitration in Guangzhou, in accordance with the then effective arbitration rules. The language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that subject to the PRC laws and regulations and the then situation, the arbitral tribunal may award remedies over the shares or assets of Xuan Wu and/or its subsidiaries, including compensation, injunctive relief (including but not limited to injunctive relief relating to the conduct of business), or order the winding up of Xuan Wu and/or its subsidiaries; any party may apply to the courts of Guangzhou (being the place of incorporation of Xuan Wu), Hong Kong the Cayman Islands (being the place of

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incorporation of our Company) and the places where the principal assets of Xuan Wu and/or its subsidiaries are located, for interim remedies or injunctive relief, to support the carry out of arbitration.

However, our PRC Legal Advisor has advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Xuan Wu and/or its subsidiaries pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC.

As a result of the above, in the event that Xuan Wu or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entities and conduct our business could be materially and adversely affected. For details, please refer to the paragraph headed “Risk Factors — Risks relating to our Contractual Arrangements” in this prospectus.

### **Loss Sharing**

As advised by our PRC Legal Advisor, under the relevant PRC laws and regulations, none of our Company and Xuantaos is legally required to share the losses of, or provide financial support to, our Consolidated Affiliated Entities. Further, our Consolidated Affiliated Entities are limited liability companies and shall be solely liable for their own debts and losses with assets and properties owned by them. Xuantaos intends to continuously provide to or assist our Consolidated Affiliated Entities in obtaining financial support when deemed necessary. In addition, given that our Group conducts all of our business operations in the PRC through our Consolidated Affiliated Entities, which hold the requisite PRC operational licences and approvals, and that their financial positions and results of operations are consolidated into our Group’s financial statements under the applicable accounting principles, our Company’s business, results of operations and financial condition would be adversely affected if our Consolidated Affiliated Entities suffer losses.

However, as provided in the Exclusive Option Agreements, without prior written consent of Xuantaos, Xuan Wu and its subsidiaries shall not, among others (i) sell, transfer, pledge, or dispose of in any manner any of its assets of more than RMB1,000,000, (ii) execute any material contract with a value above RMB1,000,000, except those entered into in the ordinary course of business, (iii) provide any loan, credit or guarantees in any form to any third party, (iv) incur, inherit, guarantee or allow any debt that is not incurred in the ordinary course of business, (v) enter into any consolidation or merger with any third party, or being acquired by or invest in any third party; and (vi) increase or reduce its registered capital, or alter the structure of the registered capital in any other way. Therefore, due to the relevant restrictive provisions in the agreement, the potential adverse effect on Xuantaos and our Company in the event of any loss suffered from Xuan Wu and its subsidiaries can be limited to a certain extent.



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### **Insurance**

There are certain risks involved in our operations, in particular, those relating to our corporate structure and the Contractual Arrangements. For details, please refer to the paragraph headed “Risk Factors — Risks relating to our Contractual Arrangements” in this prospectus. We have determined that the costs of insurance for the risks associated with business liability or disruption and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Accordingly, as at the Latest Practicable Date, we did not purchase any insurance to cover the risks relating to the Contractual Arrangements.

### **Liquidation**

Pursuant to the Exclusive Option Agreements, in the event of mandatory liquidation required by the PRC laws, Xuan Wu and the Registered Shareholders shall give the proceeds they receive from liquidation as a gift to Xuantaos to the extent permitted by the PRC laws.

### **Our Confirmation**

As at the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating the CRM PaaS and CRM SaaS services through our Consolidated Affiliated Entity under the Contractual Arrangements.

## **LEGALITY OF THE CONTRACTUAL ARRANGEMENTS**

Based on the above, our PRC Legal Advisor is of the opinion that:

- (a) parties to each of the Contractual Arrangements have obtained all necessary approvals and authorisations to execute and perform the Contractual Arrangements;
- (b) parties to each of the Contractual Arrangements are entitled to execute the agreements and perform their respective obligations thereunder. Each of the Contractual Arrangements is binding on the parties thereto and none of them would fall within the circumstances as stipulated in the PRC Civil Code (中華人民共和國民法典) which render the arrangements invalid under the PRC Civil Code;
- (c) none of the Contractual Arrangements violates any provisions of the articles of association of Xuan Wu or Xuantaos;
- (d) parties to each of the Contractual Arrangements are not required to obtain any approvals or authorisations from the PRC governmental authorities, except that:
  - (i) the exercise of the option by Xuantaos of its rights under the Exclusive Option Agreements to acquire all or part of the equity interests in Xuan Wu are subject to the approvals of and/or registrations with the PRC regulatory authorities;

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- (ii) any share pledge contemplated under the share pledge agreements is subject to the registration with local market supervision administration; and
  - (iii) the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognised by PRC courts before compulsory enforcement.
- (e) each of the agreements conferring significant control and economic benefits from the Consolidated Affiliated Entities is enforceable under the relevant laws and regulations including but not limited to the Foreign Investment Law and the Foreign Investment Negative List, except for the following provisions regarding dispute resolution and the liquidation committee:
- (i) the Contractual Arrangements provide that any dispute shall be submitted to the Guangzhou Arbitration Commission for arbitration in Guangzhou, in accordance with the then effective arbitration rules. The language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that subject to the PRC laws and regulations and the then situation, the arbitral tribunal may award remedies over the shares or assets of Xuan Wu and/or its subsidiaries, including compensation, injunctive relief (including but not limited to injunctive relief relating to the conduct of business), or order the winding up of Xuan Wu and/or its subsidiaries; any party may apply to the courts of Guangzhou (being the place of incorporation of Xuan Wu), Hong Kong the Cayman Islands (being the place of incorporation of our Company) and the places where the principal assets of Xuan Wu and/or its subsidiaries are located, for interim remedies or injunctive relief, to support the carry out of arbitration; and
  - (ii) the Contractual Arrangements provide that the shareholders of Xuan Wu undertake to appoint a committee designated by Xuantaos as the liquidation committee upon the winding up of Xuan Wu to manage their assets. However, in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation, these provisions may not be enforceable under PRC Laws.

Based on the above and the Consultations, the PRC Legal Advisor is of the view that the adoption of the Contractual Arrangements does not constitute a breach or violation of the PRC laws and that the Contractual Arrangements will not be deemed ineffective or invalid and will not result in any administrative proceedings or penalties on us.

However, as advised by our PRC Legal Advisor, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC governmental authorities will not in the future take the view that is contrary to the above opinions of our

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PRC Legal Advisor. For details, please refer to the paragraph headed “Risk Factors — Risks relating to our Contractual Arrangements — Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and the Implementation Rules and how they may impact the viability of our current corporate structure, corporate governance and business operations” in this prospectus.

Based on the above analysis and advice from our PRC Legal Advisor, the Directors are of the view that the Contractual Arrangements are enforceable under the relevant laws and regulations in the PRC and not likely to be challenged by the relevant authorities in the PRC. Our PRC Legal Advisor is of the view that the MIIT and the personnel (a director of the Information and Communication Development Department (信息通信發展司) of the MIIT) consulted in the interviews were competent to interpret the relevant regulations and rules of the PRC for the CRM PaaS and CRM SaaS services. We are also advised by our PRC Legal Advisor that the transfer of economic benefits from our Consolidated Affiliated Entities to Xuantao and the pledging of the entire equity interest held by the Registered Shareholders in Xuan Wu and that held by Xuan Wu in its subsidiaries to Xuantao under the Contractual Arrangements would not be deemed a violation of the relevant PRC laws and regulations.

We are aware of a Supreme People’s Court ruling (the “**Supreme People’s Court Ruling**”) made in October 2012 and two arbitral decisions from the Shanghai International Economic and Trade Arbitration Commission made in 2010 and 2012 which invalidated certain contractual arrangements for the reason that the entry into of such agreements with the intention of circumventing foreign investment restrictions in the PRC contravene the prohibition against “concealing an illegitimate purpose under the guise of legitimate acts” set out in Article 52 of the PRC Contract Law (中華人民共和國合同法) and the General Principles of the PRC Civil Law. It has been further reported that these court rulings and arbitral decisions may increase (i) the possibility of the PRC courts and/or arbitration panels taking similar actions against contractual arrangements commonly adopted by foreign investors to engage in restricted or prohibited businesses in the PRC; and (ii) the incentive for the registered shareholders under such contractual arrangements to renege on their contractual obligations.

Pursuant to Article 52 of the PRC Contract Law, a contract is void, among other circumstances, where an illegitimate purpose is concealed under the guise of legitimate acts; our PRC Legal Advisor is of the view that the agreements under the Contractual Arrangements would not be deemed as “concealing illegal intentions with a lawful form” under Article 52 of the PRC Contract Law for the following reasons: (a) the parties to the Contractual Arrangements have the right to enter into contracts in accordance with their own wishes and no person may illegally interfere with such right; and (b) the purpose of the Contractual Arrangements is not to conceal illegal intentions, but to pass the economic interests received by our Consolidated Affiliated Entities to our Company.

Furthermore, the PRC Civil Code came into effect on 1 January 2021 and the PRC Contract Law and the General Principles of the PRC Civil Law were repealed simultaneously. The PRC Civil Code no longer specifies the “concealing illegal intentions with a lawful form” as the statutory circumstances of a void contract but stipulates certain circumstances which will lead to the invalidation of civil juristic acts, including but not

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limited to a civil juristic act performed by a person having no capacity for civil conducts, a civil juristic act performed by the actor and the counterparty based on false expression of intention, a civil juristic act violates the mandatory provisions of laws and administrative regulations, a civil juristic act violates of public order and morals, etc. The provisions on the validity of civil juristic acts also apply to the validity of contracts. Our PRC Legal Advisor is of the view that the Contractual Arrangements would not fall within the above circumstances which will lead such arrangements as invalid civil juristic act under the PRC Civil Code.

Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Company, a waiver has been sought from and has been granted by the Stock Exchange. For details, please refer to the section headed “Connected Transactions” in this prospectus.

### **Accounting Aspects of the Contractual Arrangements**

#### *Consolidation of Financial Results of our Consolidated Affiliated Entity*

Under the Exclusive Business Cooperation Agreements, it was agreed that, in consideration of the services provided by Xuantao, Xuan Wu and its subsidiaries will pay service fees to Xuantao. The service fees shall be the total consolidated profit of Xuan Wu after deduction of any operating costs, depreciation, other expenses and relevant taxes. Accordingly, Xuantao has the ability, at its sole discretion, to extract the economic benefits of Xuan Wu (and its subsidiaries on a consolidated basis) through the Exclusive Business Cooperation Agreements.

In addition, under the Exclusive Option Agreements, Xuantao has absolute contractual control over the distribution of dividends or any other amounts to the Registered Shareholders and Xuan Wu as Xuantao’s prior written consent is required before any distribution can be made.

As a result of these Contractual Arrangements, our Company has obtained control of Xuan Wu (and its subsidiaries on a consolidated basis) through Xuantao and, at our Company’s sole discretion, can receive the economic interest returns generated by our Consolidated Affiliated Entities. Accordingly, our Consolidated Affiliated Entities’ results of operations, assets and liabilities, and cash flows are consolidated into our Company’s financial statements.

In this regard, our Directors consider that our Company can consolidate the financial results of our Consolidated Affiliated Entities into our Group’s financial information as if they were our Company’s subsidiaries. The basis of consolidating the results of our Consolidated Affiliated Entities is disclosed in Note 2 to the Accountant’s Report set out in Appendix I to this prospectus.

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### Development in the PRC Legislation on Foreign Investment

#### *The Foreign Investment Law (2019)*

The Foreign Investment Law was adopted at the 2nd Session of the 13th NPC of the PRC on 15 March 2019 and came into force from 1 January 2020. On 26 December 2019, the State Council issued the Implementation Rules (《中華人民共和國外商投資法實施條例》), which came into effect on 1 January 2020.

The Foreign Investment Law stipulates the implementation of the management systems of pre-establishment national treatment and “negative list” for foreign investment. The “negative list”, which was issued by the State Council, refers to special administrative measures for access of foreign investment in specific fields in China. A foreign investor shall not invest in any field in the “negative list” which is prohibited from foreign investment. A foreign investor shall meet the investment conditions stipulated under the “negative list” for any field in the “negative list” which is restricted from foreign investment. Concerning fields not mentioned in the “negative list”, management shall be conducted under the principle of consistency of domestic and foreign investment. The Foreign Investment Law does not contain or quote the stipulation of the “negative list.”

Unlike the 2015 draft foreign investment law (which did not come into effect), the definition of “foreign investors” in Foreign Investment Law and its implementing regulations includes foreign natural persons, enterprises and other organisations, which does not include enterprises incorporated within the territory of China in accordance with Chinese laws but controlled by foreign natural persons or entities.

Moreover, the Foreign Investment Law and its implementing regulations do not stipulate that the “foreign investment” as defined thereunder shall include contractual arrangements. Instead, it adds a catch-all provision to the definition of foreign investment so that foreign investment, by its definition, includes “investments through other means stipulated under laws or administrative regulations or by the State Council” without elaboration on “other means”.

#### **Impact of Foreign Investment Law on Contractual Arrangements**

Our PRC Legal Advisor is of the view that since contractual arrangements are not specified as “foreign investments” under the Foreign Investment Law and its implementing regulations and if there is no applicable law or regulation that explain “other means” of foreign investment under the Foreign Investment Law, or if “other means” of foreign investment are not specified under applicable laws or regulations to include contractual arrangements, it is unlikely that the Contractual Arrangements will be deemed as “foreign investments” under the Foreign Investment Law and its implementing regulations and therefore (i) the Contractual Arrangements shall neither be subject to the “negative list” nor be regulated by relevant authorities in accordance with the requirements of the “negative list”; and (ii) the Foreign Investment Law and its implementing regulations do not substantially change the principle of recognition and treatment of contractual arrangements as compared with the current PRC laws and

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regulations, and each of the Contractual Arrangements is valid, legal and binding under PRC laws, taking into consideration of the Foreign Investment Law and the “negative list”, except for the provisions regarding dispute resolution and the liquidation committee mentioned above.

If the operation of the Relevant Business is not on the “negative list” and we can legally operate such business under PRC laws, Xuantaos will exercise the option right under the Exclusive Option Agreements to acquire the equity interest of Xuan Wu and/or its subsidiaries and unwind the contractual arrangements subject to re-approval by the relevant authorities.

If the provision of our CRM PaaS and CRM SaaS services is on the “negative list”, unless applicable laws or regulations define contractual arrangements as one of the “other means” of foreign investment, the probability that Contractual Arrangements are deemed as “foreign investment” under the Foreign Investment Law and be regulated by relevant authorities in accordance with the requirements of the “negative list”, which results the Contractual Arrangements being deemed as invalid or being required to meet the requirements of the “negative list” is low. In addition, considering that a number of existing entities are operating under contractual arrangements and some of which have obtained listing status abroad, our PRC Legal Advisor is of the view that the PRC government is likely to take a relatively cautious attitude towards the supervision of contractual arrangement and the enactment of laws and regulations impacting them, and may make decisions according to different situations in practice.

As there are no other related ancillary regulations or implementing rule of the Foreign Investment Law defining other means of foreign investment, the interpretation and implementation of the Foreign Investment Law might differ from our understanding. If there are other related regulations defining other means of foreign investment to include contractual arrangements, the laws and regulations above will not only apply to our Company and Xuan Wu, but also apply to other entities which operate under contractual arrangements.

### **Development in the PRC Legislation on Personal Information Protection**

The Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the “**Personal Information Protection Law**”), issued on 20 August 2021 by the SCNPC provided a comprehensive personal information protection system, under which in case of any personal information processing, individual prior consent must be obtained except in other circumstances stipulated therein to the contrary. Further, any data processing activities in relation to sensitive personal information including biometrics, religious beliefs, specific identities, medical health, financial accounts, whereabouts, personal information of teenagers under fourteen years old and other personal information once leaked or illegally used might easily lead to the infringement of personal dignity or harm of personal and property safety, are only allowed provided such activities are purpose-specified, highly necessary and strictly protected.

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Although we, as an intelligent CRM services provider in the PRC, do not directly collect personal information from individuals or process personal data, we may have limited access to personal information provided by our clients, namely medical institutions, who ultimately control and use individuals' data. As such, we may be subject to these recently enacted laws and regulations. We have in place various internal control measures on data privacy and personal information protection.

Considering that we are not directly involved in processing personal information which is instead processed and controlled by our clients, and we only have access to a limited amount of personal information, our Directors are of the view that these newly-enacted laws do not have a material and adverse impact on our business and operations. Our PRC Legal Advisor is of the view that, we have not been subject to any penalties or claims for violating the applicable PRC laws and regulations and we are in compliance with these laws and regulations in all material aspects.

### **Development in the PRC Legislation relating to Overseas Listing**

On 24 December 2021, the CSRC, together with other relevant government authorities in China issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》), and the Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《境內企業境外發行上市備案管理辦法(徵求意見稿)》) (collectively the “**Draft Listing Regulations**”). The Draft Listing Regulations, if adopted in their current forms, will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime.

According to the Draft Listing Regulations, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means (such as ours), are required to fulfill the filing procedure with the CSRC and report relevant information. The Draft Listing Regulations also proposed a number of regulatory requirements for listing applicants adopting a variable interest entity (“VIE”) structure through contractual arrangements, including but not limited to the circumstances under which listing overseas was prohibited by the PRC laws, regulations and relevant provisions in relation to foreign investment, cybersecurity, data security, corporate governance, financial and accounting practices, the planned use of proceeds, and confidentiality duty that listing applicants shall comply. Where an issuer submits an application for initial public offering to competent overseas regulators, the issuer must submit to the CSRC filing documents within three working days after such application is submitted. The Draft Listing Regulations also required subsequent report to the CSRC on material events, such as material change in principal business and change of control. As of the Latest Practicable Date, the Draft Listing Regulations were in draft form and had not come into effect.

On 24 December 2021, a spokesperson of the CSRC at a press conference in relation to the Draft Listing Regulations (“**Press Conference**”) clarified that the implementation of the Draft Listing Regulations will follow the legal principle of non-retroactivity and the CSRC would initiate the filing requirements and procedures with the new applicants

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(“**New Applicants**”), i.e. the new overseas initial public offering applicants, and the stock enterprises (“**Stock Enterprises**”), i.e. the existing overseas-listed companies that had subsequent financing activities, while the remaining Stock Enterprises will be separately granted a sufficient transitional period in order for them to complete the relevant filing procedures after the Draft Listing Regulations became effective. In addition, during the Press Conference, the spokesperson of the CSRC also stated that “conditional upon complying with the domestic laws and regulations, enterprises adopting a VIE structure that have met the compliance requirements may seek listing overseas after completing proper filing procedures”. Therefore, as confirmed by our PRC Legal Adviser, the Draft Listing Regulations do not raise new compliance requirements for the business operations and overseas offering and listing of PRC domestic companies adopting a VIE structure through contractual arrangement. Therefore, we and our PRC Legal Adviser do not expect the Draft Listing Regulations, if adopted in their current forms, would have a material adverse impact on our business operations and the Listing. Once the Draft Listing Regulations are promulgated and implemented, we will, if necessary, immediately comply with the filing procedures in effect as the Draft Listing Regulations become effective.

In addition, on 27 December 2021, the NDRC and the MOFCOM published the latest Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (the “**2021 Negative List**”). Article 6 of the Interpretation Note of the 2021 Negative List (“**Article 6**”) provides that “where a domestic enterprise engaged in the business in the prohibited areas of the Negative List on Access to Foreign Investment seeks to issue and list its shares overseas (“**Overseas Issuance and Listing by a Domestic Enterprise under 2021 Negative List**”), it shall complete the examination process and obtain approval of the relevant competent authorities of the State, the foreign investor shall not participate in the operation and management of the enterprise, and its shareholding percentage shall be subject to the relevant provisions on the administration of domestic securities investment by foreign investors.” Because the business of the Group is in the restricted areas of the 2021 Negative List instead of the prohibited areas, Article 6 would not apply to the Group’s listing and the Group is not required to obtain governmental approval regarding the Listing.

On 18 January 2022, a press conference was held by the NDRC to further clarify the position of Article 6, during which the spokesman made it clear that Article 6 shall only be applying to the situations where domestic enterprises were seeking a direct overseas issuance and listing (i.e. H-shares listing).

Further, the PRC Legal Advisor has conducted a full legal due diligence for the purpose of examining whether the Company is able to comply with the Draft Listing Regulations if they are implemented in their current forms. The PRC Legal Adviser concludes that:

- (1) there are no specific clauses or relevant provisions in PRC laws and regulations that explicitly prohibited us from listing overseas. We are a domestic intelligent CRM services provider in the PRC, and there are no such circumstances under which the Listing is expressly prohibited by PRC laws, regulations and relevant provisions currently in effect. We have not received



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any notice or decision from the relevant authorities under the State Council stating that, based on their review in accordance with the PRC laws, the Listing would threaten or endanger China's national security.

- (2) there have not been any material non-compliance incidents discovered from the comprehensive review of the compliance status in relation to foreign investment, cybersecurity, and data security in all material aspects.
- (3) each of the Group's domestic subsidiaries has formulated its articles of association and regulated its corporate governance and financial and accounting practices in accordance with the Company Law of the People's Republic of China, the Accounting Law of the People's Republic of China and other laws and regulations.
- (4) the planned use of proceeds from the Global Offering is in compliance with the requirements of the relevant PRC regulations. We have completed the foreign exchange registration for individual domestic residents' overseas investments (the "**SAFE Circular 37 Registration**") for the relevant Chinese individual shareholders, and have obtained all FDI registration/filing for our relevant domestic subsidiaries in accordance with the PRC laws for the purpose of the Listing, which is in compliance with the national regulations on cross-border investment and financing, foreign exchange and cross-border RMB administrations, etc.
- (5) All the personal information data processed by us are stored in the PRC and have not been provided to any third party overseas. The Listing does not involve the provision of personal information and important data overseas. At the same time, we have established a data security management system and a personal information protection system in compliance with the relevant PRC laws and regulations.
- (6) to our best knowledge, none of the circumstances that would prohibit us from conducting the Listing under the Draft Listing Regulations.
- (7) our PRC Legal Adviser has also conducted public searches against our PRC subsidiaries, our controlling shareholders, as well as our directors and senior management, and did not find any of them having been involved in relevant criminal offences or administrative penalties that would prohibit us from conducting the Listing under the Draft Listing Regulations.

On the basis of the foregoing, we and our PRC Legal Adviser do not foresee there would be any material legal obstacles for us to comply with each provision of the Draft Listing Regulations after they are implemented in their current forms and the Draft Listing Regulations would not have any material adverse impact on the Company, the variable interest entity structure of the Group and the proposed Listing.

Our Directors confirm that, as at the date of this prospectus, the Group has not received any enquiries, notice, sanction and other concerns, from any authorities, in regards to its qualification of overseas listing, Contractual Arrangements and VIE structure.

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### Compliance with the Contractual Arrangements

Our Company has adopted the following measures to ensure the effective operation of our Company with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (ii) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (iii) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and
- (iv) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Xuantaos and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

Based on our consultation with the Information and Communication Development Department (信息通信發展司) of the MIIT, they were fully aware of the VIE structure and listing plan, and had raised no objection to the contractual arrangement. As of the date of this prospectus, the Group has received no enquiries, notice, sanction and other concerns from any authorities in relation to its overseas listing, Contractual Arrangements and VIE structure.

## CONNECTED TRANSACTIONS

### CONNECTED TRANSACTIONS

We have entered into certain agreements under the Contractual Arrangements with parties that will be our connected persons (as defined under Chapter 14A of the Listing Rules). Following the Listing, the transactions contemplated under such agreements will constitute our continuing connected transactions under the Listing Rules.

### CONNECTED PERSONS

Following the Listing, the following parties, which have entered into certain written agreements with our Group under the Contractual Arrangements, will be connected persons of our Group:

<b>Name</b>	<b>Connected Relationship</b>
Mr. Chen	an executive Director and a Controlling Shareholder of our Company
Guangzhou Xuandong	Mr. Chen's associate holding 35.1429% interest
Guangzhou Xuannan	Mr. Chen's associate as a general partner holding 32.4646% interest and a Controlling Shareholder of our Company
Guangzhou Xuanxi	Mr. Chen's associate as a general partner holding 46.8392% interest and a Controlling Shareholder of our Company
Guangzhou Xuanbei	Mr. Chen's associate as a general partner holding 34.4728% interest and a Controlling Shareholder of our Company
Mr. Huang	an executive Director and Controlling Shareholder of our Company
Mr. Li	an executive Director and Controlling Shareholder of our Company
Mr. Song	a Substantial Shareholder of our Company
Mr. Guo	an executive Director of our Company

### CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions of our Group which are subject to reporting, annual review, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## CONNECTED TRANSACTIONS

### **The Contractual Arrangements**

#### *Background for the Contractual Arrangements*

As referred to in the section headed “Contractual Arrangements” in this prospectus, due to regulatory restrictions on foreign ownership in the PRC, we conduct our business operations indirectly in the PRC through our Consolidated Affiliated Entities while complying with applicable PRC laws and regulations. Through the Contractual Arrangements, we exercise effective control over the Consolidated Affiliated Entities. The Contractual Arrangements enable us to (i) receive the economic benefits generated by the Consolidated Affiliated Entities, (ii) exercise effective control over the Consolidated Affiliated Entities; and (iii) hold an irrevocable and exclusive right to require (1) each of the Registered Shareholders to transfer any or all their equity interests in Xuan Wu, (2) Xuan Wu to transfer any or all of the assets it held, (3) Xuan Wu to transfer any or all their equity interests in any of its subsidiaries and/or (4) any of the subsidiaries of Xuan Wu to transfer any or all of the assets it held, to Xuanta and/or a third party designated by it, at any time and from time to time, at the lowest purchase price that is permitted by the PRC laws. For details, please refer to the section headed “Contractual Arrangements” in this prospectus. The transactions contemplated under the Contractual Arrangements are continuing connected transactions of our Company and are subject to reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

#### *Principal terms of the transactions*

The Contractual Arrangements comprise the following agreements: Exclusive Business Cooperation Agreements, Proxy Agreements and Powers of Attorney, Exclusive Option Agreements, Equity Pledge Agreements and spousal undertakings by the respective spouse of each of the individual Registered Shareholders. Details of the continuing connected transactions (i.e. the transactions contemplated under the said agreements which constitute the Contractual Arrangements) entered into between the relevant connected persons and our Group are referred to in the section headed “Contractual Arrangements” in this prospectus.

#### *Listing rules implications*

The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions associated with the Contractual Arrangements are expected to be more than 5% on an annual basis. As such, the transactions will be subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

#### *Reasons for the waiver application and the view of our Directors on the continuing connected transactions*

Our Directors, including our independent non-executive Directors, are of the view that (i) the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group’s legal structure and business; and (ii) the Contractual

## CONNECTED TRANSACTIONS

Arrangements are on normal commercial terms in the ordinary and usual course of our Group's business and are fair and reasonable and are in the interests of our Company and our Shareholders as a whole.

Our Directors also believe that our Group's structure, whereby the financial results of the Consolidated Affiliated Entities are consolidated into our Group's financial statements as if they were our Group's subsidiaries, and the economic benefits of their business flows to our Group, places our Group in a special position in relation to the connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of independent shareholders.

In addition, given the Contractual Arrangements were entered into prior to the Listing and are disclosed in this prospectus, and potential investors of our Company will participate in the Global Offering on the basis of such disclosure, our Directors consider that compliance with the announcement and the independent shareholders' approval requirements in respect thereof immediately after Listing would add unnecessary administrative costs to our Company.

### APPLICATION FOR AND CONDITIONS FOR WAIVER

In view of the above, we have applied to the Stock Exchange pursuant to Rule 14A.105 of the Listing Rules for, and the Stock Exchange has granted, a waiver from (i) strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements, (ii) setting a maximum aggregate annual value, i.e. an annual cap, for the transactions under the Contractual Arrangements; and (iii) limiting the term of the Contractual Arrangements to three years or less, for so long as our Shares are listed on the Stock Exchange subject to the following conditions:

- (a) *No Change without Independent Non-executive Directors' Approval* – No change to the Contractual Arrangements (including with respect to any fees payable to Xuantao thereunder) will be made without the approval of our independent non-executive Directors.
- (b) *No Change without Independent Shareholders' Approval* – Save as described in “—Renewal and Reproduction” below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our Company's independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in

## CONNECTED TRANSACTIONS

the annual reports of our Company (as referred to in the paragraph headed “Application for and conditions for waiver — (d) Renewal and Reproduction” in this section) will however continue to be applicable.

- (c) *Economic Benefits Flexibility* – The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through our Group’s option (if and when so allowed under the applicable PRC laws) to acquire, all or part of (i) the equity interests in the Consolidated Affiliated Entities held by the Registered Shareholders for a nominal price or the minimum amount of consideration permitted by applicable PRC laws and regulations, (ii) the business structure under which the profit generated by the Consolidated Affiliated Entities is retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Xuantaoy by Xuan Wu and its subsidiaries under the Exclusive Business Cooperation Agreements, and (iii) our Group’s right to control the management and operation of, as well as, in substance, the voting rights of Xuan Wu and its subsidiaries.
- (d) *Renewal and Reproduction* – On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and, or reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.
- (e) *Ongoing Reporting and Approvals* – Our Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:
  - (i) The Contractual Arrangements in place during each financial period will be disclosed in our Company’s annual report and accounts in accordance with the relevant provisions of the Listing Rules.
  - (ii) Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company’s annual report and accounts for the relevant year that: (i) the transactions carried out during such year have been entered into in accordance with the relevant

## CONNECTED TRANSACTIONS

provisions of the Contractual Arrangements, have been operated so that the revenue generated by the Consolidated Affiliated Entities has been substantially retained by Xuanta; and (ii) any new contracts entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Company and the Shareholders as a whole.

- (iii) Our Company's auditors will carry out procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange, at least 10 business days before our Company bulk prints its annual report, reporting their findings whether the transactions carried out pursuant to the Contractual Arrangements have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of their respective equity interests which are not otherwise subsequently assigned/transferred to our Group.
- (iv) For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the Consolidated Affiliated Entities will be treated as our Company's subsidiaries, and the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the Consolidated Affiliated Entities and their respective associates will be treated as our Company's connected persons. As such, transactions between these connected persons and our Group (including for this purpose the Consolidated Affiliated Entities) other than those under the Contractual Arrangements shall comply with Chapter 14A of the Listing Rules.
- (v) The Consolidated Affiliated Entities undertake that, for so long as the Shares are listed on the Stock Exchange, they will provide our Group's management and our Company's auditors with full access to its relevant records for the purpose of procedures to be carried out by our Company's auditors' on the connected transactions.

## CONNECTED TRANSACTIONS

### SOLE SPONSOR'S AND DIRECTORS' VIEWS

Our Directors (including our independent non-executive Directors) consider that all the continuing connected transactions referred to in this section have been entered into and are conducted: (i) in the ordinary and usual course of our business, (ii) on normal commercial terms; and (iii) are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Based on the relevant documents and information provided by our Group and reviewed by the Sole Sponsor, the necessary representations and confirmations provided by our Company and the Directors to the Sole Sponsor and the Sole Sponsor's participation in the due diligence and discussions with the management of our Company and the PRC Legal Advisor, the Sole Sponsor is of the view that the Contractual Arrangements are fundamental to our Group's legal structure and business operations.

With respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, the Sole Sponsor is of the view that it is justifiable and normal business practice to ensure that (i) the financial and operational policies of the Consolidated Affiliated Entities can be effectively controlled by Xuantaο, (ii) Xuantaο can obtain the economic benefits derived from the Consolidated Affiliated Entities, and (iii) any possible leakage of assets and values of the Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

The Sole Sponsor is of the view that the non-exempt continuing connected transactions described above, and for which the waivers have been sought, have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms and are fair and reasonable and in the interests of our Company and the Shareholders as a whole.



## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

### OVERVIEW

Immediately following completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Chen, Mr. Huang and Mr. Li will indirectly hold 26.0508%, 11.8346% and 9.8430%, through Mr. Chen's controlled limited partnerships, namely Guangzhou Xuannan, Guangzhou Xuanxi and Guangzhou Xuanbei, and their respective wholly-owned intermediary entities, namely Zhenghao Global, Honghan Worldwide and Double Winner, of the issued share capital of our Company respectively.

Mr. Chen, Mr. Huang and Mr. Li are the founders of our Group. They, as our executive Directors, are primarily responsible for the overall management, business operation, finance, strategic planning and business direction of our Group. During the Track Record Period, all of them had been directors of Xuan Wu and will remain as Directors at the time of the Listing. On 13 July 2015, Mr. Chen, Mr. Huang and Mr. Li entered into an acting in concert agreement from the date of the agreement until three years after the shares of Xuan Wu were listed on the NEEQ. Upon the expiration of the said acting in concert agreement, Mr. Chen, Mr. Huang and Mr. Li entered into a new acting in concert agreement on 11 January 2019 for a period of three years from the date of the agreement, pursuant to which they confirmed that they had been acting in such manner since the shares of Xuan Wu were listed on the NEEQ and agreed that they would act in concert at meeting of shareholders or board of directors of Xuan Wu or in other major decisions of Xuan Wu, including:

- (1) prior to putting forward a proposal to the shareholders' meeting or the meeting of the board of directors of Xuan Wu, they shall reach a unanimous consensus on the proposal;
- (2) they shall reach a unanimous consensus among themselves and vote unanimously on the relevant resolutions at any shareholders' or directors' meeting of Xuan Wu;
- (3) if they cannot reach a unanimous opinion, they shall act unanimously in accordance with the opinion of Mr. Chen, provided that the relevant proposal or resolution would not harm the interests of Mr. Huang and Mr. Li only, nor would it benefit Mr. Chen only.

In preparation for the Listing, on 17 August 2021, Mr. Chen, Mr. Huang, Mr. Li, Zhenghao Global, Honghan Worldwide and Double Winner entered into a new acting in concert agreement on substantially the same terms with respect to our Group which replaced the previous acting in concert agreement. In accordance with the new acting in concert agreement, they would continue to act in concert with each other with respect to our Group after the Listing.

As at the Latest Practicable Date, Mr. Chen was the sole general partner of each of Guangzhou Xuanxi, Guangzhou Xuannan and Guangzhou Xuanbei, our ESOP Platforms. As such, he controlled the exercise of the voting rights attached to a total of 4,500,000 Shares held by Guangzhou Xuanxi, Guangzhou Xuannan and Guangzhou Xuanbei.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Mr. Chen, Mr. Huang and Mr. Li, through Mr. Chen's controlled limited partnerships, namely Guangzhou Xuannan, Guangzhou Xuanxi and Guangzhou Xuanbei, and their respective wholly-owned investment holding companies, Zhenghao Global, Honghan Worldwide and Double Winner, will be entitled to indirectly exercise voting rights of more than 30.0% of the issued share capital of our Company following completion of the Capitalisation Issue and the Global Offering. As a result of the acting in concert agreements mentioned above, each of Mr. Chen, Mr. Huang, Mr. Li, Zhenghao Global, Honghan Worldwide, Double Winner, Guangzhou Xuannan, Guangzhou Xuanxi and Guangzhou Xuanbei is our Controlling Shareholder.

As confirmed by Mr. Chen, Mr. Huang and Mr. Li, there was no disagreement among them when considering the replacement of the previous acting in concert agreement by the present acting in concert agreement.

Save as disclosed above, there is no other person who will, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares that may be allotted and issued upon the exercise of the Over-allotment Option), be directly or indirectly interested in 30.0% or more of the Shares then in issue.

### INDEPENDENCE OF MANAGEMENT, FINANCIAL AND OPERATION

Our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and/or their respective close associates after the Listing, based on the following factors:

#### **Management independence**

Our Board comprises of four executive Directors, one non-executive Director, and three independent non-executive Directors. Decisions of our Board are made collectively, and our management and operational decisions are delegated to a team of four executive Directors and four members of senior management who are not Directors, most of whom have served our Group for a long time and have substantial experience in the industry in which we are engaged and will therefore be able to make business decisions that are in the best interests of our Group. The balance of power and authority is ensured by the operation of our Board and senior management. For details of the qualifications and experience of our executive Directors and senior management, please refer to the section headed "Directors and Senior Management" in this prospectus. Except for Mr. Chen, Mr. Huang and Mr. Li themselves, all the other members of our Board and our senior management are independent of our Controlling Shareholders.

Each of our Directors are aware of his or her fiduciary duties as a director which require, among other things, that he or she must act for the benefit and in the best interests of our Company, and not permit any conflict between his or her duties as a Director and his or her personal interests. Further, we believe our independent non-executive Directors have a depth and breadth of experience which will enable them to bring sound independent and impartial judgment to the decision-making process of our Board. Our independent non-executive Directors have been appointed in accordance with the

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

requirements of the Listing Rules to ensure there is no actual or potential conflict of interest with our Controlling Shareholders.

In addition, the Directors shall not vote or be counted in the quorum on any board resolution of the Board in respect of any contract, arrangement or proposal in which he or she or any of his or her close associates has a material interest, subject to certain exceptions. As such, if the Board is asked to consider transactions or matters where the counterparty involved is our Controlling Shareholders or their respective associates, Mr. Chen, Mr. Huang and Mr. Li will not vote or be counted in the quorum at the relevant Board meetings if any of their interest is material, and there will be sufficient members on our Board (including our one other executive Director, one non-executive Director and three independent non-executive Directors) with the requisite qualifications, experience and impartiality to discharge their duties to our Company as directors. We have also adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. For details, please refer to the paragraph headed “Other corporate governance measures” in this section below.

Based on the above, our Directors are satisfied that our Board, together with our senior management team, is able to perform the managerial role in our Group independently.

### **Operational independence**

We operate independently from our Controlling Shareholders and/or their respective close associates. Our Company (through our subsidiaries and our Consolidated Affiliated Entities) holds all relevant licences and owns all relevant intellectual properties and research and development facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders and/or their respective close associates. We also have independent access to our clients and subcontractors and an independent management team to operate our business.

Given that (i) we have established our own organisational structure comprising individual departments and business and administrative units, each with specific areas of responsibilities; and (ii) our Group does not share our operational resources, such as marketing, sale and general administration resources with our Controlling Shareholders and/or their close associates, our Directors consider that our Group can operate independently from our Controlling Shareholders and/or their close associates from the operational perspective.

### **Financial independence**

Our Group has an independent financial reporting system and makes financial decisions according to our Group’s own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. More importantly, we have been and are capable of obtaining equity and debt financing from third parties.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

As at 31 December 2019, 2020 and 2021, we had bank borrowings amounting to RMB39.9 million, RMB39.5 million and RMB58.5 million, respectively. All bank borrowings were guaranteed by, inter alia, certain Shareholders including our Controlling Shareholders. For details on the guarantee provided by certain Shareholders, please refer to Note 33(d) Financial guarantees provided from shareholders as set out in the Accountant's Report in Appendix I to this prospectus. Such guarantee provided by Shareholders will be replaced by corporate guarantee before or upon the Listing.

Based on the aforesaid, our Directors believe that we have the ability to conduct our business independently from our Controlling Shareholders and their respective close associates from a financial perspective and are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

### COMPETITION ISSUE UNDER RULE 8.10 OF THE LISTING RULES

Save and except for the interests of our Controlling Shareholders in our Company, its subsidiaries and the Consolidated Affiliated Entities, our Controlling Shareholders and Directors confirm that none of them has 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, which would require disclosure under Rule 8.10 of the Listing Rules.

### OTHER CORPORATE GOVERNANCE MEASURES

In accordance with the Listing Rules, our Board will consist of not less than three independent non-executive Directors, comprising at least one-third of our Board, to ensure that our Board is able to effectively exercise independent judgment in its decision-making process. For details about our independent non-executive Directors, please refer to the paragraph headed "Directors and Senior Management — Directors — Independent non-executive Directors" in this prospectus. We believe our independent non-executive Directors are of sufficient caliber, knowledge and experience and will be able to provide an impartial and independent advice to our Shareholders.

We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and the Controlling Shareholders:

- (a) our Articles of Association provide that a Director who is in any way materially interested in an actual or proposed contract or arrangement with the Company shall declare the nature of his or her interest at the earliest meeting of the Board at which he or she may practically do so;
- (b) our Articles of Association also provide that, subject to certain exceptions, a Director shall not vote (nor be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or proposal in which such Director or any of his or her close associates have a material interest, and if such Director shall do so, his or her vote shall not be counted nor shall such Director be counted in the quorum for that resolution;

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (c) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with a Controlling Shareholder or any of his associates, our Company will comply with the applicable Listing Rules;
- (d) if the independent non-executive Directors are requested to review any conflicts of interest circumstances between the Group on the one hand and our Controlling Shareholders and/or the Directors on the other hand, our Controlling Shareholders and/or the Directors shall provide the independent non-executive Directors with all necessary information, and the Company shall disclose the decisions of the independent non-executive Directors either through its annual report or by way of announcements;
- (e) 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 expenses;
- (f) we have established an audit committee, a remuneration committee and a nomination committee to assess and control, and ensure our Board is appropriately advised, as to matters relating to, among other things, our relationship with our external auditors and internal audit, the remuneration of our Directors and our senior management, and the composition of our Board. Our audit committee comprises independent non-executive Directors and each of our remuneration committee and nomination committee comprises a majority of independent non-executive Directors. In addition, the chairman of each of our audit and remuneration committees is an independent non-executive Director. For details of our committees and their composition, please refer to the paragraph headed "Directors and Senior Management — Board committees" in this prospectus; and
- (g) we have appointed Altus Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

Based on the above, our Directors are satisfied that there are sufficient and effective measures to manage conflicts of interest and that we are able to operate independently of our Controlling Shareholders.

## DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

As at the date of this prospectus, our Board of Directors comprised four (4) executive Directors, one (1) non-executive Directors and three (3) independent non-executive Directors. Our executive Directors, non-executive Director and independent non-executive Directors will be subject to rotation and re-election at the annual general meetings of our Company in accordance with the Articles of Association.

The functions and duties of our Board include, but are not limited to, determining our Group's business and investments plans, convening general meetings and reporting on the Board's work at these meetings, implementing the resolutions passed at these meetings, formulating our Company's annual financial budget and final accounts, formulating our proposals for distributions of profit, as well as exercising other powers, functions and duties conferred by our Articles of Association. We entered into service contracts with our executive Directors and non-executive Director and appointment letters with independent non-executive Directors. Our executive Directors and senior management are responsible for the day-to-day management and operation of our Group's business.

The following table sets out information in respect of the Directors of our Company:

Name	Age	Positions	Role and Responsibilities	Date of Joining our Group	Date of Appointment as a Director
Mr. Chen Yonghui (陳永輝)	46	Chairman, Chief Executive Officer and Executive Director	Overseeing the overall management and business operation, board affairs, formulating strategies and operation plans, making major business decisions of our Group	November 2010	26 April 2021 <sup>Note 1</sup>
Mr. Huang Fangjie (黃仿傑)	54	Executive Director and Senior Vice President	Overseeing the Company's financial, internal audit and internal control functions	November 2010	11 August 2021 <sup>Note 2</sup>
Mr. Li Hairong (李海榮)	44	Executive Director and Senior Vice President	Overseeing the operation of the Company's businesses	November 2010	11 August 2021 <sup>Note 3</sup>
Mr. Guo Haiqiu (郭海球)	46	Executive Director and Senior Vice President	Overseeing the Company's human resources, administration, IT management and procurement functions	January 2013	11 August 2021 <sup>Note 4</sup>
Mr. Xu Xin (徐欣)	46	Non-executive Director	Providing professional and strategic advice to the Board	December 2020	11 August 2021 <sup>Note 5</sup>

## DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Positions	Role and Responsibilities	Date of Joining our Group	Date of Appointment as a Director
Mr. Du Jianqing (杜劍青)	45	Independent Non-executive Director	Providing independent opinion and judgment to the Board and acting as member of the Audit Committee and member of the Nomination Committee	November 2020	15 June 2022
Ms. Wu Ruifeng (吳瑞風)	51	Independent Non-executive Director	Providing independent opinion and judgment to the Board and acting as chairperson of the Audit Committee	November 2020	15 June 2022
Prof. Wu Jintao (鄔金濤)	47	Independent Non-executive Director	Providing independent opinion and judgment to the Board and acting as member of the Audit Committee, member of the Remuneration Committee and member of the Nomination Committee	November 2020	15 June 2022

*Notes:*

- (1) Mr. Chen was re-designated as our executive Director on 15 June 2022.
- (2) Mr. Huang was re-designated as our executive Director on 15 June 2022.
- (3) Mr. Li was re-designated as our executive Director on 15 June 2022.
- (4) Mr. Guo Haiqiu was re-designated as our executive Director on 15 June 2022.
- (5) Mr. Xu Xin was re-designated as our non-executive Director on 15 June 2022.

### Executive Directors

**Mr. Chen Yonghui (陳永輝)**, aged 46, is a co-founder of our Group, who is currently serving as an executive Director, the Chairman of the Board and the Chief Executive Officer of our Company. Mr. Chen was appointed as our Director on 26 April 2021 and re-designated as our executive Director on 15 June 2022. Mr. Chen is responsible for overseeing the overall management and business operation, board affairs, formulating strategies and operation plans, making major business decisions of our Group.

Mr. Chen joined Xuanwu Information and Technology and had acted as a deputy general manager thereof until October 2010.

Mr. Chen obtained his bachelor's degree in applied mathematics from South China University of Technology (華南理工大學) in June 1999 and his executive master's degree in business administration from China Europe International Business School (中歐國際工商學院) in October 2013.

Mr. Chen is currently holding directorship in several principal subsidiaries of our Company, including Xuan Wu BVI, Xuan Wu HK, Xuan Wu, Beijing Xiuwu and Guangzhou Zhengjun.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen was a supervisor of the following company incorporated in the PRC, which had its business licence revoked during his tenure. The relevant details are as follows:

Company name	Nature of business	Date of revocation	Reason for revocation	Outcome/current position
Haikou Feixun Information Technology Co., Ltd. (海口飛訊信息科技有限公司有限公司)	Computer software, hardware research and development, computer system integration, computer information technology services, sales of electronic computers and accessories (For the above-mentioned scope of business subject to approvals according to laws and regulations, no business activity shall be carried out without relevant approvals)	9 June 2009	The company failed to conduct the required annual inspection.	The company ceased business prior to revocation of business licence. It currently has no operation but not yet dissolved.

Mr. Chen has confirmed that (i) he was not responsible for company secretarial matters such as conducting annual inspection of the above company, which was assigned to certain specified staff in the respective company; (ii) there was no dishonest or fraudulent act on his part in respect of the business licence revocation of the above company. Mr. Chen further confirmed that up to the Latest Practicable Date, he has not received any (i) claims or legal proceedings made or commenced against him by any creditors of the above company or any third parties; (ii) notice or sanction by any relevant government authorities against him imposing any penalty or order for rectification or alleging that he is personally liable for the above non-compliances; or (iii) notice of disqualification by relevant authorities requiring him to cease to act as director of any PRC companies.

**Mr. Huang Fangjie (黃仿傑)**, aged 54, is a co-founder of our Group, who is currently serving as an executive Director and a Senior Vice President of our Company. Mr. Huang was appointed as our Director on 11 August 2021 and re-designated as our executive Director on 15 June 2022. Mr. Huang is mainly responsible for overseeing the Company's financial, internal audit and internal control functions.

Between June 2000 and October 2010, Mr. Huang had acted as a deputy general manager at Xuanwu Information and Technology.

Mr. Huang received an executive master's degree in business administration from Cheung Kong Graduate School of Business (長江商學院) in September 2016.

Mr. Huang is currently holding directorship in several principal subsidiaries of our Company, including Xuan Wu, Guangzhou Xuxin and Guangzhou Zhongmai.



## DIRECTORS AND SENIOR MANAGEMENT

Mr. Huang was a director of the following company incorporated in the PRC, which had its business licence revoked during his tenure. The relevant details are as follows:

Company name	Nature of business	Date of revocation	Reason for revocation	Outcome/current position
Haikou Feixun Information Technology Co., Ltd. (海口飛訊信息科技有限公司)	Computer software, hardware research and development, computer system integration, computer information technology services, sales of electronic computers and accessories (For the above-mentioned scope of business subject to approvals according to laws and regulations, no business activity shall be carried out without relevant approvals)	9 June 2009	The company failed to conduct the required annual inspection.	The company ceased business prior to revocation of business licence. It currently has no operation but not yet dissolved.

Mr. Huang has confirmed that (i) he was not responsible for company secretarial matters such as conducting annual inspection of the above company, which was assigned to certain specified staff in the respective company; (ii) there was no dishonest or fraudulent act on his part in respect of the business licence revocation of the above company. Mr. Huang further confirmed that up to the Latest Practicable Date, he has not received any (i) claims or legal proceedings made or commenced against him by any creditors of the above company or any third parties; (ii) notice or sanction by any relevant government authorities against him imposing any penalty or order for rectification or alleging that he is personally liable for the above non-compliances; or (iii) notice of disqualification by relevant authorities requiring him to cease to act as director of any PRC companies.

**Mr. Li Hairong (李海榮)**, aged 44, is a co-founder of our Group, who is currently serving as an executive Director and a Senior Vice President of our Company. Mr. Li was appointed as our Director on 11 August 2021 and re-designated as our executive Director on 15 June 2022. Mr. Li is mainly responsible for overseeing the operation of the Company's businesses.

Before founding our Group with other co-founders, Mr. Li had worked with Guangzhou Huagong Computer Network Engineering Co., Ltd. (廣州市華工電腦網絡工程有限公司) for the period between September 1999 and May 2000. Between June 2000 and October 2010, Mr. Li had served as a senior vice president at Xuanwu Information and Technology.

Mr. Li received his bachelor's degree in applied mathematics from South China University of Technology (華南理工大學) in June 1999, and obtained his executive master's degree in business administration from China Europe International Business School (中歐國際工商學院) in October 2013.

Mr. Li is currently holding directorship in several principal subsidiaries of our Company, including Xuan Wu, Guangzhou Guanghan, Guangzhou Shangyu, Guangzhou Xuanxun and Guangzhou Jixin.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Guo Haiqiu (郭海球)**, aged 46, is currently serving as an executive Director and a Senior Vice President of our Company. Mr. Guo was appointed as our Director on 11 August 2021 and re-designated as our executive Director on 15 June 2022. Mr. Guo is mainly responsible for overseeing the Company's human resources, administration, IT management and procurement functions.

Prior to joining our Group, Mr. Guo had worked with Kingdee Software (China) Co., Ltd. (金蝶軟件(中國)有限公司) as a project manager at its research and development centre and a manager of its development department between 1999 and December 2005. And, between January 2006 and December 2012, he had served as a director of operation and management department and a deputy general manager at Guangzhou branch of the same company.

Mr. Guo received his bachelor's degree in applied mathematics from South China University of Technology (華南理工大學) in June 1999 and obtained his executive master's degree in business administration from China Europe International Business School (中歐國際工商學院) in August 2019.

Mr. Guo is currently holding directorship in several principal subsidiaries of our Company, including Xuan Wu and Henan Shangfang.

### **Non-Executive Director**

**Mr. Xu Xin (徐欣)**, aged 46, joined our Group in December 2020. Mr. Xu was appointed as our Director on 11 August 2021 and re-designated as our non-executive Director on 15 June 2022. He is mainly responsible for provision of professional and strategic advice to the Board.

Since 20 November 2018, Mr. Xu has acted as a director of Espressif Systems (Shanghai) Co., Ltd. (樂鑫信息科技(上海)股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 688018). And, he has also served as a partner, the co-president and the investment managing director at Shanghai Fosun Capital Investment Management Co., Ltd (上海復星創富投資管理股份有限公司) since January 2016.

Previously, Mr. Xu had served as a vice president of China area at Arvato Bertelsmann (China) Limited (貝塔斯曼集團歐唯特(中國)有限公司) for the period from March 2014 to January 2016. Before joining Arvato Bertelsmann (China) Limited, Mr. Xu had served as a senior director of greater China area at Nielsen Company (China) Limited (尼爾森(中國)有限公司) from March 2011 to March 2014. And, Mr. Xu had worked as a general manager of business department and technical leader in Microsoft Corporation/Microsoft Global Technology Centre (微軟公司/微軟全球技術中心) for almost four years from July 1999 to March 2003.

Mr. Xu received his Bachelor of Science degree from Fudan University (復旦大學) in July 1999 and obtained his executive master's degree in business administration from Washington University in St. Louis (聖路易斯華盛頓大學) in December 2009.

## DIRECTORS AND SENIOR MANAGEMENT

### Independent non-executive Directors

**Mr. Du Jianqing (杜劍青)**, aged 45, was appointed as an independent non-executive Director with effect from 15 June 2022.

Mr. Du is currently serving as a partner and a full-time lawyer at Guangdong Shenghesheng Law Firm (廣東聖和勝律師事務所) since January 2017. Before joining the aforesaid law firm, Mr. Du had worked at Guangdong Fanli Law Firm (廣東凡立律師事務所) from June 2014 to January 2017 as a full-time lawyer. Prior to that, Mr. Du had worked as a Judge, then Deputy Chief of the Administrative Division and Deputy Chief of the Second Civil Division at the People's Court of Yuexiu District, Guangzhou, from July 1999 to August 2013.

Mr. Du joined the on-job postgraduate program and received his master's degree in economic law from the Sun Yat-Sen University (中山大學) in June 2008 and obtained his bachelor's degree in law from Guangdong University of Finance & Economic (廣東財經大學) in July 1999.

**Ms. Wu Ruifeng (吳瑞風)**, aged 51, was appointed as an independent non-executive director with effect from 15 June 2022.

Ms. Wu has been acting as a department manager at Guangdong Branch of Wan Long (Shanghai) Assets Appraisal Co., Ltd. (萬隆(上海)資產評估有限公司廣東分公司) since August 2020. Before joining that company, Ms. Wu had worked with Beijing Hengxin Delv Asset Appraisal Co., Ltd. (北京恒信德律資產評估有限公司) for the period between January 2014 and May 2016 and then between July 2016 and July 2020, at Guangzhou Zhongguangxin Assets Evaluation Co., Ltd. (廣東中廣信資產評估有限公司). Since 1 June 2021, Ms. Wu has acted as a partner at Shenzhen Junrui Assets Appraisal Office (Special General Partnership).

Between January 1998 and December 2000, Ms. Wu had worked as an auditor and a project manager at Yong'anda Accountant Office Co., Ltd. (珠海市永安達會計師事務所有限公司). From January 2001 to December 2013, she had worked as an auditor, project manager and department manager at Zhuhai Branch of Da Hua Certified Public Accountants (Special General Partnership) (大華會計師事務所(特殊普通合夥)珠海分所).

Ms. Wu was accredited as a member of the Chinese Institute of Certified Public Accountants in June 1999 and certified to practice as an asset valuer in April 2000.

**Prof. Wu Jintao (鄒金濤)**, aged 47, was appointed as an independent non-executive director with effect from 15 June 2022.

Prof. Wu has been an associate professor of business administration in Lingnan (University) College, Sun Yat-Sen University (中山大學嶺南(大學)學院) since July 2003. At Lingnan (University) College, Sun Yat-Sen University, Prof. Wu also served the role of the Assistant to the Dean, and the Director of the EMBA/MBA Centre concurrently.

## DIRECTORS AND SENIOR MANAGEMENT

Prof. Wu has over 10 years of experience in certain research areas, such as smart interaction and consumer creativity. His research primarily focuses on marketing management, customer relationship management, brand positioning and relationship marketing. Prof. Wu has published numerous papers as the editor-in-chief thereof.

Prof. Wu obtained a Ph.D. degree in enterprise management from the Economics and Management School of Wuhan University (武漢大學經濟管理學院) in July 2003. He received his master's degree in economics and bachelor's degree in business administration from the same university in July 2000 and July 1997 respectively.

Saved as referred to in this section and the section headed "Relationship with Our Controlling Shareholders" in this prospectus, each of the Directors (i) did not hold other position in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as at the Latest Practicable Date; and (iii) had not held any directorship in any other public company the securities of which were listed on any securities market in Hong Kong or overseas in the three years immediately prior to the date of his/her appointment.

Immediately following completion of the Capitalisation Issue and the Global Offering, save as referred to in this section and the sections headed "Substantial Shareholders" and "Statutory and General Information" in Appendix IV to this prospectus, each of the Directors will not have any interest in the Shares within the meaning of Part XV of the SFO.

None of the Directors have any interest in any business, other than our Group's business, which compete or is likely to compete, either directly or indirectly, with our Group's business.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of the Directors which need to be brought the attention of our Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

## DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of the senior management of our Company.

Name	Age	Positions	Roles and Responsibilities	Date of Joining our Group
Ms. Ge Ping (葛萍)	45	Chief Financial Officer, Vice President and Joint Company Secretary	Overseeing the Company's financial management, investment and financing and securities-related matters	November 2015
Mr. Zhang Deqi (張德琪)	56	Vice President	Overseeing our solution segments (particularly the Sales Cloud segment) as well as relevant projects management, client service and sales functions	January 2019
Mr. Liu Hanwei (劉漢威)	42	Vice President	Overseeing nationwide sales of cPaaS, Marketing Cloud and Service Cloud solutions	December 2012
Mr. Zhu Yuan (朱淵)	38	Vice President	Overseeing our solution segments (particularly the cPaaS platform segment and the Marketing Cloud segment) as well as operational and service functions	November 2010

**Ms. Ge Ping (葛萍)**, aged 45, is the Chief Financial Officer, Vice President and Joint Company Secretary of our Company. Ms. Ge is currently responsible for overseeing the Company's financial management, investment and financing and securities-related matters.

Before joining the Group in November 2015, Ms. Ge had worked as a deputy general manager and served as a director in Zhujiang Film & Media Corporation Limited (珠江影業傳媒股份有限公司) since June 2012. Between January 2008 and May 2012, Ms. Ge had served as a vice general manager and the chief financial officer at Yipinhong Pharmaceutical Co., Ltd. (一品紅藥業股份有限公司).

Ms. Ge was accredited as a member of the Chinese Institute of Certified Public Accountants in March 2004 and certified as an intermediate accountant in May 2000.

## DIRECTORS AND SENIOR MANAGEMENT

Ms. Ge received her executive master's degree in business administration from China Europe International Business School (中歐國際工商學院) in June 2013 and obtained her bachelor's degree in management in June 2001 from Anhui University of Finance and Economics (安徽財經大學).

**Mr. Zhang Deqi (張德琪)**, aged 56, is a Vice President of our Company. Mr. Zhang is mainly responsible for overseeing our solution segments (particularly the Sales Cloud segment) as well as relevant projects management, client service and sales functions.

Mr. Zhang had worked with Kingdee Software (China) Co., Ltd. (金蝶軟件(中國)有限公司) from May 2012 to February 2016.

Before joining our Group in January 2019, Mr. Zhang had served as a vice president at The S.F. Express Company (順豐速運(集團)有限公司) from March 2016 to December 2018.

Mr. Zhang received his master's degree in graph database (圖形數據庫) from Shenyang Institute of Computing Technology, Chinese Academy of Sciences (中國科學院瀋陽計算技術研究所) in April 1990.

**Mr. Liu Hanwei (劉漢威)**, aged 42, is a Vice President of our Company. Mr. Liu is mainly responsible for overseeing nationwide sales of cPaaS, Marketing Cloud and Service Cloud solutions.

Prior to joining our Group, he had served as the sales director for the East China region in Guangzhou Youyi Network Technology Co., Ltd. (廣州優逸網絡科技有限公司) from October 2010 to November 2012; and a general manager of Shanghai Branch, a general manager of East China region and an assistant president in Shanghai Branch of Xuan Wu (廣州市玄武無線科技股份有限公司上海分公司) since December 2012.

Mr. Liu obtained his bachelor's degree in engineering (工學) from Tongji University (同濟大學) in June 2001.

**Mr. Zhu Yuan (朱淵)**, aged 38, is a Vice President of our Company. Mr. Zhu is mainly responsible for overseeing our solution segments (particularly the cPaaS platform segment and the Marketing Cloud segment) as well as operational and service functions.

Before joining our Company in November 2010, Mr. Zhu had served as a sales manager and general manager assistant in Xuanwu Information and Technology from July 2007 to October 2010.

Mr. Zhu received his bachelor's degree in management (管理學) from Sun Yat-Sen University (中山大學) in June 2008.

Saved as disclosed above, each of the senior management (i) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as at the Latest Practicable Date; and (ii) had not held any directorship in any other public company the securities of which were listed on any securities market in Hong Kong or overseas in the three years immediately prior to the date of his/her appointment.

## DIRECTORS AND SENIOR MANAGEMENT

And, there is no other information in respect of the senior management that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

### JOINT COMPANY SECRETARIES

**Ms. Ge Ping (葛萍)**, aged 45, is the Chief Financial Officer, Secretary of Board and Vice President of our Company. For details, please refer to the paragraph headed “Senior management” in this section.

**Ms. Chan Hei Man (陳禧汶)** is a solicitor qualified to practice in Hong Kong. Ms. Chan is currently an associate of Zhong Lun Law Firm LLP, specialising in corporate finance work including initial public offerings, mergers and acquisitions and private equity investments. Ms. Chan received a Bachelor of Commerce degree from the University of New South Wales, Australia in August 2012. Ms. Chan graduated from the Chinese University of Hong Kong with Juris Doctor in November 2014 and Postgraduate Certificate in Laws in July 2015, respectively.

### BOARD COMMITTEES

#### Audit Committee

We established an audit committee with written terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control of our Group, oversee the audit process, risk management process and external audit functions. The audit committee consists of three members, namely, Mr. Du Jianqing, Ms. Wu Ruifeng, and Prof. Wu Jintao. The chairman of the audit committee is Ms. Wu Ruifeng.

#### Remuneration Committee

We established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as 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, namely, Mr. Guo Haiqiu, Prof. Wu Jintao and Ms. Wu Ruifeng. The chairman of the remuneration committee is Prof. Wu Jintao.

#### Nomination Committee

We established a nomination committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of members of the Board, and ensure the diversity of members of the Board. The nomination committee consists of three members, namely, Mr. Du Jianqing, Prof. Wu Jintao and Mr. Chen. The chairman of the nomination committee is Mr. Chen.

## DIRECTORS AND SENIOR MANAGEMENT

### REMUNERATION POLICY

For the four years ended 31 December 2021, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension schemes contributions paid and benefits in kind granted to our Directors and chief executive by us and our subsidiaries was RMB2.1 million, RMB2.2 million, RMB2.1 million and RMB2.8 million, respectively. For details on the remuneration of each Director during the Track Record Period, please refer to Note 33 to the Accountant's Report set out in Appendix I to this prospectus.

For the four years ended 31 December 2021, the five highest paid individuals of our Group included nil, nil, one and one Director, respectively, whose remunerations are included in the aggregate amount of fees, salaries, allowances, discretionary bonus, pension scheme contributions paid and benefits in kind granted to the relevant Directors set out above. For the four years ended 31 December 2021, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension scheme contributions paid and benefits in kind granted to the remaining five, five, four and four highest paid individuals who are neither a Director nor chief executive of our Group were RMB5.6 million, RMB5.0 million, RMB3.2 million and RMB4.0 million, respectively. For details on the remuneration of the five highest paid individuals during the Track Record Period, please refer to Note 8 to the Accountant's Report set out in Appendix I to this prospectus.

During the Track Record Period, no emoluments were paid out by our Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office. None of our Directors had waived any remuneration during the Track Record Period.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending 31 December 2022, will be RMB3.5 million.

Save as disclosed in this prospectus, no other payments have been made, or are payable, by any member of our Group to the Directors during the Track Record Period.

Our Board will review and determine the remuneration packages of our Directors and senior management and will receive recommendations from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of our Group.

### CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interest of our Shareholders. To accomplish this, our Company intends to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules and the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules after the Listing.



## DIRECTORS AND SENIOR MANAGEMENT

In view of Mr. Chen's experience, personal profile and his roles in our Group as mentioned above, our Board considers it beneficial to the business prospect and operational efficiency of our Group that upon Listing, Mr. Chen acts as the Chairman of our Board and continues to act as the Chief Executive Officer of our Company. While this will constitute a deviation from Code Provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, our Board believes that this structure will not impair the balance of power and authority between our Board and the management of our Company, given that: (i) decisions to be made by our Board require approval by at least a majority of our Directors, and we believe that there are sufficient checks and balances in our Board; (ii) Mr. Chen 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 our Board which comprises experienced and high caliber 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 our Board and senior management levels. Our 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. Our Directors strive to achieve a high standard of corporate governance (which is of critical importance to our development) to protect the interest of shareholders.

Saved as disclosed above, our Directors consider that upon Listing, we will comply with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

### **BOARD DIVERSITY POLICY**

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") in order to enhance the effectiveness of our Board and to maintain high standard of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to our Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our Directors have a balanced mix of experiences, including information and technology, business management, legal, accounting and academic fields. Our Board currently consists of one female Director and seven male Directors with a balanced mix of knowledge and skills, including but not limited to overall management and strategic development, finance and accounting and risk management. The Directors are of the view that our Board satisfies the Board Diversity Policy.

## DIRECTORS AND SENIOR MANAGEMENT

The Nomination Committee is responsible for reviewing the diversity of the Board. After Listing, the Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness. The Nomination Committee will also include in successive 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.

### COMPLIANCE ADVISOR

We have appointed Altus Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. The compliance advisor will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise our Company, among others, in the following circumstances:

- (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 proceeds of the Listing in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (d) where the Stock Exchange makes an enquiry of us under Rule 13.10 of the Listing Rules.

The terms of the appointment of Altus Capital Limited will commence from (and including) the Listing Date and end on (and including) the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately following completion of the Capitalisation Issue and the Global Offering, the following persons will have an interest in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Nature of interests	Share held immediately prior to completion of the Capitalisation Issue and the Global Offering		Shares held immediately following completion of the Capitalisation Issue and the Global Offering	
		Number	Percentage	Number	Percentage
Mr. Chen <sup>1</sup>	Interest of controlled corporation	29,893,223	56.84%	298,932,230	53.35%
Mr. Huang <sup>1</sup>	Interest of controlled corporation	29,893,223	56.84%	298,932,230	53.35%
Mr. Li <sup>1</sup>	Interest of controlled corporation	29,893,223	56.84%	298,932,230	53.35%
Zhenghao Global <sup>1</sup>	Beneficial owner	29,893,223	56.84%	298,932,230	53.35%
Honghan Worldwide <sup>1</sup>	Beneficial owner	29,893,223	56.84%	298,932,230	53.35%
Double Winner <sup>1</sup>	Beneficial owner	29,893,223	56.84%	298,932,230	53.35%
Mr. Song <sup>2</sup>	Interest of controlled corporation	8,910,117	16.94%	89,101,170	15.90%
Baoya Group <sup>2</sup>	Beneficial owner	8,910,117	16.94%	89,101,170	15.90%
Ms. Ge Ping <sup>3</sup>	Interest of controlled corporation	3,150,000	5.99%	31,500,000	5.62%
Guangzhou Xuandong <sup>3</sup>	Beneficial owner	3,150,000	5.99%	31,500,000	5.62%
Shanghai Fosun	Beneficial owner	3,141,300	5.97%	31,413,000	5.61%

<sup>1</sup> Mr. Chen, Mr. Huang and Mr. Li have been acting in concert with each other.

Zhenghao Global is beneficially owned as to 100% by Mr. Chen. Mr. Chen is deemed to be interested in all the Shares held by Zhenghao Global for the purpose of the SFO.

Honghan Worldwide is beneficially owned as to 100% by Mr. Huang. Mr. Huang is deemed to be interested in all the Shares held by Honghan Worldwide for the purpose of the SFO.

Double Winner is beneficially owned as to 100% by Mr. Li. Mr. Li is deemed to be interested in all the Shares held by Double Winner for the purpose of the SFO.

As at the Latest Practicable Date, each of the ESOP Platforms was a limited partnership established in the PRC. Guangzhou Xuandong, Guangzhou Xuanxi, Guangzhou Xuannan and Guangzhou Xuanbei held 3,150,000, 1,800,000, 1,350,000 and 1,350,000 Shares in our Company, representing 5.99%, 3.42%, 2.57% and 2.57% of the issued share capital of our Company, respectively. Immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), each of them will be holding 31,500,000, 18,000,000, 13,500,000 and 13,500,000 Shares in our Company, representing 5.62%, 3.21%, 2.41% and 2.41% of the issued share capital of our Company, respectively.

## SUBSTANTIAL SHAREHOLDERS

Mr. Chen holds more than one third of the interest in Guangzhou Xuandong and is the sole executive partner of each of Guangzhou Xuanxi, Guangzhou Xuannan and Guangzhou Xuanbei. As such, under the SFO, Mr. Chen is deemed to be interested in the total of 7,650,000 Shares held by Guangzhou Xuandong, Guangzhou Xuanxi, Guangzhou Xuannan and Guangzhou Xuanbei. None of the individual partner of each of the ESOP Platforms contributed more than 50% to any of the ESOP Platforms. For details of the shareholding structures, please refer to Notes (7) to (10) to the paragraph headed “History and Reorganisation — Our reorganisation”.

- <sup>2</sup> Baoya Group is beneficially owned as to 100% by Mr. Song. Mr. Song is deemed to be interested in all the Shares held by Baoya Group for the purpose of the SFO.
- <sup>3</sup> Guangzhou Xuandong held 3,150,000 Shares (equivalent to 5.9894% of the issued capital of the Company at the Latest Practical Date, which will be reduced to 5.6218% upon completion of the Capitalisation Issue and Global Offering). Ms. Ge Ping is the sole executive partner of Guangzhou Xuandong. As such, under the SFO, Ms. Ge Ping is deemed to be interested in the 3,150,000 Shares held by Guangzhou Xuandong.

Save as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following completion of the Capitalisation Issue and the Global Offering (and assuming the Over-allotment Option is not exercised), have an interest or a short positions in the Shares or underlying Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

## SHARE CAPITAL

### SHARE CAPITAL OF OUR COMPANY

The authorised share capital of our Company as at the date of our incorporation was US\$50,000 divided into 500,000,000 Shares of par value of US\$0.0001 each. Pursuant to the Shareholders' resolution passed on 15 June 2022, with effect from the same date, the authorised share capital of our Company was changed to US\$100,000.0 divided into 1,000,000,000 Shares of par value of US\$0.0001 each, and with effect from and conditional upon the Listing the current memorandum and articles of association of our Company shall be replaced in its entirety with the Memorandum of Association and the Articles of Association.

The following shows the authorised share capital and the share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised):

#### Authorised share capital:

	Aggregate nominal value US\$
1,000,000,000 Shares of US\$0.0001 each	100,000.0

#### Shares issued or to be issued, fully paid or credited as fully paid immediately upon completion of the Capitalisation Issue and the Global Offering:

Number of shares		Aggregate nominal value US\$	Approximate percentage of issued share capital (%)
52,593,000	Shares in issue as at the date of this prospectus	5,259.30	9.4
473,337,000	Shares in issue pursuant to the Capitalisation Issue	47,333.70	84.5
34,390,500	Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised)	3,439.05	6.1
560,320,500	Total	56,032.05	100.0%

## SHARE CAPITAL

### ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Capitalisation Issue and the Global Offering. The above does not take into account any Shares: (i) which may be issued pursuant to the exercise of the Over-allotment Option; or (ii) which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

### RANKING

The Offer Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus other than entitlement under the Capitalisation Issue.

### MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the total issued share capital of our Company in the hands of the public (as defined in the Listing Rules).

### GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

#### General mandate to issue Shares

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total number of not more than the sum of:

- 20% of the number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering; and
- the total number of Shares repurchased by us under the authority referred to in the paragraph headed "General mandate to repurchase Shares" in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company;
- upon the expiry of the period within which our Company is required by any applicable law or the Articles of Association or any applicable laws of the Cayman Islands to hold its next annual general meeting; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

## SHARE CAPITAL

For details of this general mandate, please refer to the paragraph headed “Statutory and General Information — A. Further information about our Company and subsidiaries — 4. Resolutions of the Shareholders passed on 15 June 2022” set out in Appendix IV to this prospectus.

### **General mandate to repurchase Shares**

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with a total number of up to 10% of the total number of our Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering.

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. For a summary of the relevant Listing Rules, please refer to the paragraph headed “Statutory and General Information — A. Further information about our Company and subsidiaries — 6. Repurchases by our Company of its own Securities” set out in Appendix IV to this prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company;
- upon the expiry of the period within which our Company is required by any applicable law or the Articles of Association or any applicable laws of the Cayman Islands to hold its next annual general meeting; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

For details of this general mandate to repurchase Shares, please refer to the paragraph headed “Statutory and General Information — A. Further information about our Company and subsidiaries — 4. Resolutions of the Shareholders passed on 15 June 2022” set out in Appendix IV to this prospectus.

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

Upon completion of Capitalisation Issue and the Global Offering, our Company has only one class of shares in issue, namely Shares, each of which shall rank *pari passu* with the other Shares.

## SHARE CAPITAL

Pursuant to the Cayman Islands Companies Act and the terms of the Memorandum and Articles of Association, our Company may from time to time by shareholders' ordinary resolution: (i) increase its share capital; (ii) consolidate and divide any of its share capital into Shares of larger amount or smaller amount than its existing Shares; (iii) divide its shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; or (v) cancel any Shares which have not been taken. In addition, our Company may reduce or redeem its share capital by shareholders' special resolution. For details, please refer to the paragraph headed "Summary of the Constitution of our Company and Cayman Islands Companies Act — 2. Articles of Association — (a) Shares — (iii) Alteration of capital" in Appendix III to this prospectus.

Pursuant to the Cayman Islands Companies Act and the terms of the Memorandum and Articles of Association, all or any of the rights attached to the Share or any class of Shares may only be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths voting rights of the issued shares of that class or with the sanction of a supermajority resolution passed at a separate general meeting of the holders of the Shares of that class. For details, please refer to the paragraph headed "Summary of the Constitution of our Company and Cayman Islands Companies Act — 2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares" in Appendix III to this prospectus.



## FINANCIAL INFORMATION

*You should read the following discussion and analysis with our consolidated financial information, including the notes thereto, included in the Accountant's Report in Appendix I hereto. Our consolidated financial information has been prepared in accordance with HKFRS.*

*The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of 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, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided herein, including the sections headed "Risk Factors" and "Business".*

*For the purpose of this section, unless the context otherwise requires, references to 2018, 2019, 2020 and 2021 refer to our financial years ended 31 December, of such years. Unless the context otherwise requires, financial information referred to in this section is described on a consolidated basis.*

### OVERVIEW

According to the Frost & Sullivan Report, we were the largest domestic intelligent CRM services provider in the PRC with market share of 13.8% in 2021 in terms of revenue of domestic intelligent CRM services provider in 2021, and the second largest provider of intelligent CRM services in the PRC in terms of revenue of intelligent CRM services provider in 2021. Our comprehensive intelligent CRM services can be grouped into two categories: (i) CRM PaaS services; and (ii) CRM SaaS services both of which are built on and share the same technological infrastructure. With cPaaS platform as a service at the core, our CRM PaaS services encompass various composable functional modules to empower our clients with consolidated communications capabilities mainly in the form of easily-deployed APIs and SDKs. Our CRM SaaS services comprise Marketing Cloud solution, Sales Cloud solution and Service Cloud solution, which integrate the traditional CRM functions with cloud, upgraded and encapsulated communication capabilities as well as AI and DI capabilities to offer our client with a one-stop cloud-based intelligent CRM services throughout their entire business cycle, from initial marketing to after-sales services. CRM PaaS services provide underlying communication, AI, and DI capabilities for CRM SaaS services, facilitating and enhancing the functions of Marketing Cloud, Sales Cloud, and Service Cloud. On the other hand, our CRM SaaS services increase the usage of CRM PaaS capabilities through providing more application scenarios.

With decade-long in-depth industry knowledge and expertise, as well as our well developed product development platform, we can quickly respond to the complex and evolving clients' demands and develop new solutions and enhance features to meet their needs and have established our brand reputation especially in FMCG, financial, TMT and Government-related industries. We strive to help our clients to achieve customer acquisition and to enhance the connection between our clients and their customers. According to the Frost & Sullivan Report, we were ranked first, first and third in financial,

## FINANCIAL INFORMATION

TMT and Government-related industries, respectively, in terms of revenue in 2020 in the intelligent CRM services industry. Our high-quality client base includes leading players across many large scale and high-growth industries. For FMCG industry, we covered 28 and 24 of the top 100 players in the food and beverage segments, and 20 and 10 of the top 100 players in the commodity and Chinese liquor segments, respectively, in 2021. For the financial industry, we covered 37 of the top 100 players in the banking segment and 30 of the 138 regulated security companies, respectively, in 2021. For TMT industry, we covered 21 and 15 of the top 100 players in the internet and software segments, respectively, in 2021.

During the Track Record Period, we strategically focus on developing our business by expanding and retaining core clients. For the four years ended 31 December 2021, our core clients amounted to 199, 231, 266 and 325, respectively, and the revenue from our core clients accounted for 89.2%, 91.1%, 92.8% and 94.6%, respectively, of our revenue during the same period.

Our revenue increased by 15.7% from RMB518.8 million for the year ended 31 December 2018 to RMB600.2 million for the year ended 31 December 2019 and further by 32.7% to RMB796.8 million for the year ended 31 December 2020, and increased by 24.5% to RMB991.9 million for the year ended 31 December 2021. Our net profit amounted to RMB29.8 million, RMB13.5 million, RMB29.3 million and RMB15.4 million for the four years ended 31 December 2021, respectively. Our adjusted net profit, a non-HKFRS measure defined as net profit excluding the impacts of listing expenses, was RMB31.0 million for the year ended 31 December 2021. For details, please refer to the paragraph headed “Non-HKFRS measure: Adjusted net profit” in this section.

### BASIS OF PREPARATION

The historical financial information of our Group (the “**Historical Financial Information**”) has been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss (“**FVPL**”), which are carried at fair value.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise its judgement in the process of applying our accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 to the Accountant’s Report included in Appendix I to this prospectus.

## **MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

### **General Factors**

Our business performance is affected by a pool of general factors, which are simultaneously affecting other intelligent CRM services providers in the PRC. These factors include:

- The overall economic growth in the PRC;
- The growth of the internet industry and the general development of digitalisation across various industries in the PRC;
- The transformation from traditional localised CRM services to cloud-based intelligent CRM services across different industries in the PRC;
- The aggregate expenditure on intelligent CRM services across different industries in the PRC and their respective expansions; and
- The technological developments in the fields of AI, DI and cloud computing and the respective applications in the field of CRM.

### **Specific Factors**

#### *Our ability to expand our client base*

Our success depends on our ability to grow our client base. Throughout our history, we have established our brand reputation especially in large scale and high-growth industries such as FMCG, financial, TMT and Government-related industries and have been offering our intelligent CRM services to the leading enterprises in these industries. For details on our clients' information in the above industries, please refer to the paragraph headed "Business — Overview" in this prospectus.

According to the Frost & Sullivan Report, TAM of the intelligent CRM service industry in the PRC is expected to grow at a CAGR of 31.3% from RMB71.8 billion in 2021 to RMB280.0 billion in 2026. Large-sized enterprises generally have stronger purchasing power with higher demands of communications and CRM services, as well as a larger customer base, and the number of small- and medium-sized enterprises whom will adopt intelligent CRM services is expected to increase with the digital transformation and rising market acceptance of intelligent CRM services. Based on our leading position and advanced technologies, we believe that our business will be benefited from the strong growth of the intelligent CRM services industry in the PRC.

We also believe that our leading position and growing core client base would enable us to further strengthen our leading market position in the intelligent CRM services industry in the PRC. We define core client as a client whose revenue contribution reached RMB300,000 in a given year. The number of our core clients increased from 199 in 2018 to 231 in 2019, further to 266 in 2020 and to 325 in 2021 due to our business strategy to

## FINANCIAL INFORMATION

reinforce the cooperations with core clients, and the revenue from our core clients accounted for 89.2%, 91.1%, 92.8% and 94.6%, respectively of our revenue during the same period. The increase in contribution of revenue from our core clients from 2018 to 2021 was attributable to the increase in demands in our services from core clients in both CRM PaaS and SaaS services.

During the Track Record Period, we expanded our client base mainly through our direct sales team. Our dedicated in-house direct sales forces consist of 228 employees as at the Latest Practicable Date, each with extensive knowledge in our services and related technologies. We intend to further expand our direct sales team and continue the efforts in growing our client base. By leveraging our industry expertise, we will continue to cultivate and expand our presence in the key industries and we intend to serve more clients from other industries with similar characteristics to lower the additional costs in industry-related customisation as we scale (i.e. healthcare and manufacturing industries).

### *Our ability to improve client's retention*

Our ability to maintain long-term revenue growth and improve profitability largely depends on our ability to retain our existing clients. In the past, we have been extending our existing services by enriching the features, functions and interfaces, as well as improving the abilities of our services by way of continuous innovation and iteration. Therefore, we were able to provide and improve our CRM services to meet the evolving clients' needs with comprehensive services matrix throughout their entire business cycle. We were also committed to providing our clients with various system maintenance and after-sale services so as to respond to clients' requests in a timely and responsive manner.

We believe client's retention rate is an indicator helping us in assessing client loyalty, and we calculate the client's retention rate for a given year as a percentage of our existing clients in the immediately preceding year who remain our clients in the current year. We also believe client's net dollar retention rate indicates our ability to increase revenue from our existing clients. To calculate this rate for current year, we first identify the clients who subscribed to our CRM services in both the current year and immediately preceding year. We then calculate the client's net dollar retention rate for the current year using the revenue attributable to the identified group of clients in the current year as the numerator and the revenue attributable to the same group of clients in the immediately preceding financial year as the denominator. We believe that this rate provides meaningful insight into revenue contribution from our existing clients over periods, indicating our ability to drive their lifetime value.

We consider our client's net dollar retention rate is more meaningful to our business operations given we have been strategically making continuous efforts in driving the lifetime value of our clients while we continue to optimise our client base. We achieved a client's net dollar retention rate of 107.0%, 123.1% and 109.4%, respectively in 2019, 2020 and 2021. With regard to our core clients, core client's net dollar retention rate was 99.9%, 113.2% and 102.2%, respectively in 2019, 2020 and 2021. We believe such high and fast-increasing client's net dollar retention rate during the years not only demonstrated clients' satisfaction with our intelligent CRM services but also our ability to continuously grow revenue from our existing clients.

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Our client's retention rate was 73.3%, 68.5% and 66.6%, respectively in 2019, 2020 and 2021. With regard to our core clients, core client's retention rate was 95.0%, 91.3% and 86.1%, respectively in 2019, 2020 and 2021. The relatively high client's retention rate and the change during the years were generally in line with our strategy of increasing the lifetime value of our clients while optimising and increasing our client base.

To continue growing our business, we intend to further increase our client's net dollar retention rate and improve our client's retention rate by making more cross-selling among our clients with different solutions, and increase our client base by deepening our existing industries and tapping into other new industries with similar characteristics. For the definitions and details of "net dollar retention rate", "client's retention rate" and "core client's retention rate", please refer to the paragraph headed "Business — Our services — Operating data" in this prospectus.

### *Our ability to create value for clients across their entire business cycle*

Our business development is based on our ability to create value for clients throughout their entire business cycle. Our revenue streams primarily consist of clients' usage based fees, subscription fees and implementation fees for engaging our intelligent CRM services.

Our intelligent CRM services enable our clients to manage their entire business cycle's operations digitally and intelligently, which comprises our CRM PaaS services that integrate our communication capabilities and also form the base and core of our CRM SaaS services that includes (i) Marketing Cloud provides clients with digital tool which enables them to market their product to the targeted customers, attract targeted customers' attention and maintain the relationship between them and their customers through enhanced online campaign; (ii) Sales Cloud provides clients with comprehensive sales management solution which helps to simplify and automate their work flow and help them to achieve customer acquisition and enhance their sales performance; and (iii) Service Cloud enables clients to improve their customer service quality, through a unified single back-end platform that serves products display, order fulfilment, all-channels marketing, customer relationship management, membership programme management, and business analytics and reporting.

Our CRM SaaS services also cover clients' all channels, especially our Sales Cloud solutions enable them to distribute their products via online channels (e.g. e-commercial platform, WeChat store) or offline channels (e.g. convenience stores, retail stores, supermarkets) to their end customers. As our CRM SaaS services are cloud-based and can be accessed anytime and anywhere through any network devices or online portals, this helps to reduce the time and costs associated with implementation and upgrade of the system, thus delivering streamlined user experience. For details, please refer to the paragraph headed "Business — Our services" in this prospectus.

As we are strategically focusing on core clients who typically have higher demand for intelligent CRM services in terms of both volume and complexity, our revenue growth is also driven by our ability to create value for core clients by providing comprehensive, all-channel and multi-touch CRM services covering their entire business cycle which meet

## FINANCIAL INFORMATION

their ever-changing needs in various business scenarios. During the four years ended 31 December 2021, the revenue per core client amounted to RMB2.3 million, RMB2.4 million, RMB2.8 million and RMB2.9 million, respectively. We experienced increasing trend in terms of the number of our core clients and the revenue per core client as we are able to offer comprehensive intelligent CRM services which resulted in rising usage based fees, subscription fees and implementation fees from clients. Together with our in-depth understanding of our clients' needs, our services remain closely relevant to and useful for our clients as they run their businesses. As our services can assist our clients in enhancing their operational efficiency and profitability, we have achieved stable and organic growth in terms of revenue in our business.

We believe that we would remain competitive in providing intelligent CRM services as we continue to create value for our clients across their entire business cycle. This ultimately allows our business to thrive in the long run.

### *Our ability to explore new business opportunities*

During the Track Record Period, we had been exploring new business opportunities with existing clients through implementation of our cross-selling strategy. Leveraging our comprehensive, intelligent CRM services and development ability, we were able to develop and expand business scenario coverage accommodating to our clients' evolving needs, and thus promote sales of our diversified service matrix, which sets down a solid foundation for our cross-selling ability.

We believe our ability in cross-selling is critical in driving sales growth as well as increasing clients' stickiness. For the four years ended 31 December 2021, the total revenue contributed by the clients which purchased both our CRM PaaS and CRM SaaS services in the same year increased from RMB235.2 million in 2018 to RMB255.1 million in 2019, and to RMB335.9 million in 2020 and further to RMB449.1 million in 2021. For the four years ended 31 December 2021, 306, 345, 357 and 345 of our clients purchased more than one type of services (i.e. cPaaS, Marketing Cloud, Sales Cloud or Service Cloud) which accounted for 11.8%, 12.3%, 13.3% and 13.1%, respectively, of our total number of clients during the same year. During the Track Record Period, our Marketing Cloud is often cross-sold with our CRM PaaS services as the Group has been introducing new service every year since 2019, e.g. Cloud communication, ICC module, IoT (internet of things) and DMP (Data Management Platform), new services expanded the application scenarios of Marketing Cloud, which fuel the stable growth of client base in the Track Record Period.

We intend to continue capturing new business opportunity through implementation of cross-selling strategy in order to achieve sustainable growth and future success of our business as we strive to diversify our service matrix and provide our clients with more intelligent CRM services which meet clients' evolving needs.

### *Our ability to manage costs and improve operational efficiency*

We believe our ability in cost management is critical in improving our profitability. By leveraging our replicable technology infrastructure and experience in expanding and

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enhancing our intelligent CRM services, we can acquire new client at a lower cost and to deliver our services efficiently due to economies of scale and spread of overhead costs alongside with our business expansion. As a result, both of our selling and distribution expenses, and administrative expenses as a percentage of our revenue have seen an overall declining trend during the four years ended 31 December 2021. Our selling and distribution expenses for the four years ended 31 December 2021 amounted to RMB83.0 million, RMB93.4 million, RMB77.1 million and RMB91.0 million, respectively, accounting for 16.0%, 15.6%, 9.7% and 9.2%, respectively of the revenue during the same period as we have been primarily relying on a relatively small number of in-house direct sales force to sell and market our intelligent CRM services with a focus on leading enterprises in large scale and high-growth industries such as FMCG, financial, TMT and Government-related industries, and adopted various policies to enhance our sales and distribution capability. Our administrative expenses for the four years ended 31 December 2021 amounted to RMB37.2 million, RMB45.8 million, RMB39.8 million and RMB68.5 million, respectively, accounting for 7.2%, 7.6%, 5.0% and 6.9%, respectively of the revenue during the same year. As we continue to grow our business, we expect to benefit from economies of scale and achieve higher operation efficiency.

### *Continuous investment in research and development and ability to innovate*

Our future growth also hinges on our continuous investment in research and development and our ability to innovate. Through our technological advancement and services innovation, we have been successful in conferring multi-touch communication capability and providing all-channel CRM PaaS and CRM SaaS services to our clients across various industries, including FMCG, financial, TMT and Government-related industries.

We continued to invest in research and development in order to remain at the forefront of the intelligent CRM services industry, and drive the digital and intelligent transformation of our clients' business systems. Our research and development expenditures continued to grow and amounted to RMB40.8 million, RMB50.6 million, RMB53.0 million and RMB66.1 million, respectively for the four years ended 31 December 2021.

To maintain our competitive market share and solidify our leading position in the market, we plan to extend our existing services by enriching the features, functions and interfaces of our services by continuous innovation. To attain this, we strive to attract and retain top talents to expand our research and development team.

### *Strategic investments and acquisitions*

Leveraging our comprehensive suite of intelligent CRM services and operational expertise accumulated in the PRC market, we intend to explore business opportunities in other related industries to unlock new growth points and diversify our services matrix. Through selective investments and acquisitions, we intend to capture opportunities in serving potential clients in other industries in assisting them in maintaining relationships allowing efficient interaction with their end customers.

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We believe strategic investments and acquisitions can further solidify our leading position in the market and strengthen our competitiveness by expanding our client base as well as extending our diversified services matrix.

### IMPACT OF COVID-19

Since the end of December 2019, the outbreak of a novel strain of coronavirus, commonly known as COVID-19, has materially and adversely affected the PRC and global economy. Under fast-paced global economic development, many enterprises across different industries are gradually conducting digital transformation among which intelligent CRM services plays an important role in helping enterprises achieving their goals. Under the COVID-19 pandemic, more companies have turned to online customer acquisition and online customer management, whilst intelligent CRM services have been shown to be a powerful digital tool. Remote collaboration, online meetings, and online customer service based on cloud computing technology have been more commonly used in commercial world than ever with the help of the capable intelligent CRM services. The digital transformation of enterprises, even under the COVID-19 epidemic, is ever-going. As intelligent CRM services industry continues to evolve to accommodate to connectivity, mobility, big data, social networking and other abilities, it is expected to better help enterprises connect both internally and externally with their end clients, which ultimately further fosters the progress of digitalisation.

The COVID-19 pandemic and government policies to control its spread have significantly curtailed the movement of people, goods and services worldwide, which has had an adverse impact on the businesses of some industries such as tourism, aviation and catering, whereas other businesses in certain markets such as e-commerce have seen an increase in client demand. Such increased demands have promoted more advanced technologies to be applied in intelligent CRM services system.

During the COVID-19 pandemic, we are able to sustain our strong growth momentum and managed to deliver robust revenue growth in 2020 and 2021. Our revenue and adjusted net profit (non-IFRS measure) increased from RMB600.2 million and RMB13.5 million, respectively, for the year ended 31 December 2019 to RMB796.8 million and RMB29.3 million, respectively, for the year ended 31 December 2020 and further to RMB991.9 million and RMB31.0 million, respectively, for the year ended 31 December 2021.

We believe that the value of our cloud and communication-based technology services, and the convenience, efficiency and reliability they deliver, are heightened throughout the pandemic. We offered CRM SaaS services, which not only reduces the burden of on-premise implementation, but also provides clients with the flexibility they need in order to tackle unprecedented disruptions and challenges caused by the epidemic. We have supported our clients by helping them tackle the challenges along the way through the provision of reliable and high-quality services and solutions. In addition, our administrative expenses decreased in 2020 attributable to partial exemption of social security expenses granted by the local PRC government in 2020 attributable to the impact of COVID-19, and our selling and distribution expenses decreased in 2020 due to less face-to-face selling activities performed by our direct sales force due to the impact of COVID-19.



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Having considered the above, our Directors are of the view that COVID-19 does not have material impact on our business operation.

There remains significant uncertainties insofar as the COVID-19 epidemic prevails: continued outspread of the virus, unpredictable severity and duration of the pandemic, further restrictive actions taken by governmental authorities, and the full extent to which the COVID-19 pandemic will directly or indirectly affect and disrupt our businesses, results of operations, cash flows and financial condition, and other issues including disruption to project delivery and collection of trade receivables which could all pose risks to our business. For details, please refer to the paragraph headed “Risk Factors — Risks related to our business and industry — Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in the PRC, including the COVID-19 outbreak, may materially and adversely affect our business, results of operations and financial condition” in this prospectus.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Some of the accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on past experiences and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management’s estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Set forth below are discussions of the accounting policies which we believe are critically important to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Other significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in details in Notes 2 and 4 to the Accountant’s Report in Appendix I to this prospectus.

#### Revenue recognition

Revenue is measured when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group’s performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or

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- 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.

If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether we are acting as the principal or an agent in the transactions. In determining whether we acts as the principal or an agent, we follows the accounting guidance for principal-agent considerations in HKFRS 15 to assess whether we controls the specified service before it is transferred to the end customer, the indicators of which including but not limited to (i) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (ii) whether the entity has inventory risk before the specified service has been transferred to a customer; and (iii) whether the entity has discretion in establishing the prices for the specified goods or service. Such determination involves judgment and is based on an evaluation of the terms of each arrangement.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is 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).

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Contract fulfilment costs are stated at the lower of cost and net realisable value. Cost mainly comprises direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Costs to fulfil a contract comprise the implementation cost including direct labour and an appropriate proportion of variable and fixed overhead expenditure related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfil a contract are recorded in contract fulfilment costs if they are expected to be recovered.

The Group generates revenues separately or in combination, from providing CRM PaaS and CRM SaaS services to customers.

### **CRM PaaS services**

We mainly provides cPaaS to encapsulate messaging communication capabilities of the three major telecommunication network operators for the customers to be integrated into the customer's business systems, thereby enabling the customers to access and utilise the communication capabilities as a service.

We purchases text messages from telecommunication network operators and then combined with its services to provide a integrated communication service to customers via our own platform. Therefore, we controls the specified service before it is transferred to customer and is acting as a principal in the transaction.

CRM PaaS services revenues primarily consist of usage of text message fees provided to end customers, which is recognised at a point in time. Our service fees are determined by applying the contractual unit price to the monthly usage volume of text messages sent.

### **CRM SaaS services**

CRM SaaS services are cloud-based and primarily categorised into three cloud solutions, namely marketing cloud, sales cloud and service cloud covering customers' entire business cycle to meet the aforesaid requests. The cloud and the encapsulated communication capability of the major telecommunication network operators, which consolidate the cPaaS platform, as well as CRM functions, altogether form the integrated and comprehensive CRM SaaS services of us.

Marketing cloud primarily offers a range of modules to customers, which consolidate the cPaaS platform, e.g. UMP solution - a private cloud-based solution that allows dissemination of marketing messages; MOS solution - a public cloud-based solution that allows dissemination of marketing message; and ICC solution - a solution that allows clients to manage comprehensive communication channels for intra- and extra- organisational purposes. Revenue of marketing cloud primarily generates from fees based on usage of text messages, which is recognised at a point in time by applying the contractual unit price to the monthly usage volume of text messages sent.

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Sales cloud provides a comprehensive sales management solutions including U-Client 100 and Smart Sales 100 to customers by introducing a streamlined operation model and automated workflow to customers' sales management cycle. Customers generally subscribe to our sales management solution at a fixed annually or monthly fee granting them the access to one or more of the cloud applications, which is identified as a separate performance obligation. We also provides implementation services to customers, including customised configuration and development of specific applications, which is identified as a separate performance obligation. Total consideration is mainly allocated to subscription service fees and implementation service fees based on their stand alone selling price determined based on the observable contractual prices charged to customers. Revenue from subscription service is recognised over the service contract period. Revenue from implementation service is recognised at a point in time upon completion of the implementation service and acceptance by customers of the promised products and services.

Service cloud provides customers with a range of post-sales customer services-related solutions which offers in Cloud Call Centre - a customer service solution that brings the traditional call centre onto the cloud. Revenue from service cloud primarily generates from fees based on usage of voice call, which is recognised at a point in time by applying the contractual unit price to monthly usage minutes of voice calls placed, and subscription fees, which is recognised over the service period.

We also provides product support service to customers, which is identified as a separate performance obligation and is provided mainly in the form of fixed-price contracts. Revenue from product support service is recognised ratably over the service contract period.

### **Goodwill**

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGU or groups of CGU that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

### **Impairment of financial assets**

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Please refer to Note 3 to the Accountant's Report set out in Appendix I to this prospectus for details as to how the Group determines whether there has been a significant increase in credit risk.

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Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables from third parties and related parties are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

### **Trade receivables**

Trade receivables are amounts due from clients for products sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Please refer to Notes 20 and 3.1.2 to the Accountant's Report set out in Appendix I to this prospectus for further information about the Group's accounting for trade receivables and description of the Group's impairment policies.

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### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets forth our consolidated statements of comprehensive income with line items in absolute amounts for the periods indicated, which is extracted from the Accountant's Report set out in Appendix I to this prospectus:

	<b>For the year ended 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	518,835	600,201	796,762	991,941
Cost of sales	<u>(333,334)</u>	<u>(403,507)</u>	<u>(602,969)</u>	<u>(759,549)</u>
<b>Gross profit</b>	185,501	196,694	193,793	232,392
Selling and distribution expenses	(83,023)	(93,430)	(77,149)	(91,024)
Administrative expenses	(37,155)	(45,819)	(39,754)	(68,515)
Research and development expenses	(40,788)	(50,580)	(53,022)	(66,126)
Net impairment losses on financial assets	(2,464)	(2,888)	(4,342)	(5,370)
Other income	7,043	7,378	9,671	12,557
Other gains – net	<u>1,318</u>	<u>601</u>	<u>466</u>	<u>393</u>
<b>Operating profit</b>	30,432	11,956	29,663	14,307
Finance income	441	379	706	750
Finance costs	<u>(328)</u>	<u>(1,754)</u>	<u>(3,011)</u>	<u>(2,577)</u>
Finance income/(costs) – net	113	(1,375)	(2,305)	(1,827)
<b>Profit before income tax</b>	30,545	10,581	27,358	12,480
Income tax (expense)/credit	<u>(741)</u>	<u>2,897</u>	<u>1,949</u>	<u>2,871</u>
<b>Profit and total comprehensive income for the year</b>	<u>29,804</u>	<u>13,478</u>	<u>29,307</u>	<u>15,351</u>
<b>Profit/(loss) and total comprehensive income/(loss) for the year attributable to:</b>				
– Owners of the Company	30,012	14,398	27,748	14,513
– Non-controlling interests	<u>(208)</u>	<u>(920)</u>	<u>1,559</u>	<u>838</u>
	<u>29,804</u>	<u>13,478</u>	<u>29,307</u>	<u>15,351</u>

## FINANCIAL INFORMATION

### NON-HKFRS MEASURE: ADJUSTED NET PROFIT

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also use adjusted net profit (defined below) as an additional financial measure, which is not required by, or presented in accordance with HKFRS. We believe that the presentation of this non-HKFRS measure facilitates comparisons of operating performance from period to period and company to company. We believe that this measure provides useful information to investors in understanding and evaluating our Group's consolidated results of operations in the same manner as they do for our Group's management. However, the use of non-HKFRS measure has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under HKFRS. In addition, the non-HKFRS financial measure may be defined differently from similar terms used by other companies.

We define "adjusted net profit" (non-HKFRS measures) as profit for the year or period and adding back listing expenses. During the Track Record Period, our listing expenses referred to expenses we incurred in connection with the Global Offering.

The following table set forth the reconciliations of our non-HKFRS financial measure for the four years ended 31 December 2021 to the nearest measure prepared in accordance with HKFRS:

	<b>Year ended 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net profit	29,804	13,478	29,307	15,351
Adjust for:				
Listing expenses	—	—	—	15,617
Adjusted net profit (non-HKFRS measures)	29,804	13,478	29,307	30,968

### DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

#### Revenue

During the Track Record Period, we generated revenue from two operating segments: CRM PaaS services and CRM SaaS services. CRM PaaS services are currently the slightly larger segment, which accounted for 55.9% of our revenue for the year ended 31 December 2021.

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The following table sets forth segment revenue both in absolute amount and as a percentage of our revenue for the periods presented.

	For the year ended 31 December							
	2018		2019		2020		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
CRM PaaS services	201,436	38.8	301,518	50.2	460,847	57.8	554,643	55.9
CRM SaaS services	317,399	61.2	298,683	49.8	335,915	42.2	437,298	44.1
<b>Total:</b>	<b>518,835</b>	<b>100.0</b>	<b>600,201</b>	<b>100.0</b>	<b>796,762</b>	<b>100.0</b>	<b>991,941</b>	<b>100.0</b>

During the Track Record Period, our total revenue generated from FMCG, financial, TMT and Government-related industries increased from RMB498.5 million in 2018 to RMB578.3 million in 2019, to RMB772.1 million in 2020 and further to RMB962.2 million in 2021.

The percentages of our revenues from FMCG, financial, TMT and Government-related industries have seen an increasing trend during the Track Record Period, accounting for 96.1%, 96.4%, 96.9% and 97.0%, respectively of our total revenues for the four years ended 31 December 2021, primarily as we strategically focused on and established brand reputation in these four industries.

### *CRM PaaS services*

Our CRM PaaS services comprise cPaaS platform and AI and DI capabilities. Our cPaaS platform encompasses various composable functional modules (e.g. voice and text verification code module, notification text and call module, hidden-number module) to empower our clients with consolidated communication capabilities mainly in the form of easily-deployed APIs and SDKs, thus enabling them to utilise our communication capabilities as a service in an easy, efficient and flexible way. Our CRM PaaS services are also integrated with AI and DI capabilities which we have developed for the purposes of our intelligent CRM services. For details on our CRM PaaS services, please refer to the paragraph headed “Business — Our services — CRM PaaS services” in this prospectus.

During the Track Record Period, revenue from our CRM PaaS services were RMB201.4 million, RMB301.5 million, RMB460.8 million and RMB554.6 million, respectively, representing 38.8%, 50.2%, 57.8% and 55.9% of our revenue in the same periods.



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### Operating data

CRM PaaS services	For the year ended 31 December			
	2018	2019	2020	2021
Number of clients	1,933	1,871	1,632	1,438
Number of core clients <sup>(Note 1)</sup>	94	110	130	146
Average price per client <sup>(Note 2)</sup>	RMB104,200	RMB161,200	RMB282,400	RMB385,700
Average price per core clients <sup>(Notes 1 and 2)</sup>	RMB1,811,100	RMB2,496,700	RMB3,343,700	RMB3,627,900

*Notes:*

- (1) For the four years ended 31 December 2021, core clients are defined as clients contributing RMB300,000 or above of revenue for the year.
- (2) For the four years ended 31 December 2021, the average price per client refers to the average revenue generated per client for the year.

During the Track Record Period, our average price per client increased from RMB104,200 in 2018 to RMB385,700 in 2021, and our total number of clients decreased during the Track Record Period primarily due to (i) our optimisation of client base of CRM PaaS services as we focused on core clients with relatively larger revenue contribution and which we have stable relationship with; and (ii) our strategic focus on our CRM SaaS services and expanding our CRM SaaS services client base.

Due to our optimisation of client portfolio of CRM PaaS services, both our average price per core client and number of core clients increased during the Track Record Period as a result. The increase in average price per core clients from 2018 to 2021 was attributable to the increase in demands in our services. We also maintained organic growth during the Track Record Period as we were able to secure increasing revenue from our core clients, which accounted for 84.5%, 91.1%, 94.3% and 95.5%, respectively of our revenue from CRM PaaS services for the four years ended 31 December 2021.

### *CRM SaaS services*

Our CRM SaaS services comprise Marketing Cloud, Sales Cloud and Service Cloud, which integrate the traditional CRM functions with cloud, upgraded and encapsulated communication capabilities as well as AI and DI capabilities to offer our clients a one-stop intelligent CRM services throughout their entire business cycle, from initial marketing to after-sales services. For details on our CRM SaaS services and their respective fee models, please refer to the paragraph headed “Business — Our services — CRM SaaS service” in this prospectus.

During the Track Record Period, revenues from our CRM SaaS services amounted to RMB317.4 million, RMB298.7 million, RMB335.9 million and RMB437.3 million, respectively for the four years ended 31 December 2021.

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### Operating data

CRM SaaS services	For the year ended 31 December			
	2018	2019	2020	2021
Number of clients	959	1,258	1,379	1,509
Number of core clients <sup>(Note 1)</sup>	110	128	147	193
Average price per client <sup>(Note 2)</sup>	RMB331,000	RMB237,400	RMB243,600	RMB289,800
Average price per core client <sup>(Notes 1 and 2)</sup>	RMB2,623,000	RMB2,091,000	RMB2,038,800	RMB2,079,000

*Notes:*

- (1) For the four years ended 31 December 2021, core clients are defined as clients contributing RMB300,000 or above of revenue for the year.
- (2) For the four years ended 31 December 2021, the average price per client refers to the average revenue generated per client for the year.

For the four years ended 31 December 2021, we continued to strategically focus on CRM SaaS services and expanded our CRM SaaS services client base. As a result, our total number of clients increased from 959 in 2018 to 1,509 in 2021, and our number of core clients increased from 110 in 2018 to 193 in 2021.

Our average price per client decreased from RMB331,000 in 2018 to RMB237,400 in 2019, and increased to RMB243,600 in 2020 and further to RMB289,800 in 2021. Our average price per core client decreased from RMB2.6 million in 2018 to RMB2.1 million in 2019, and remained relatively stable at RMB2.0 million in 2020 and RMB2.1 million in 2021. For details of fluctuation, please refer to the paragraph headed “Business — Our Services — CRM SaaS Services — Operating data” in this prospectus.

Along with our enlarged client base, we were able to record organic growth during the Track Record Period as revenue from our core clients accounted for 90.9%, 89.6%, 89.2% and 91.8%, respectively of our revenue from CRM SaaS services for the four years ended 31 December 2021.

Set forth below is a breakdown of revenue from CRM SaaS services by solutions during the Track Record Period.

	For the year ended 31 December			
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>CRM SaaS services</b>				
Marketing Cloud	261,685	233,234	256,684	347,618
Sales Cloud	28,820	30,998	44,664	66,163
Service Cloud	26,894	34,451	34,567	23,517
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	317,399	298,683	335,915	437,298
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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Revenue from our CRM SaaS services decreased from RMB317.4 million in 2018 to RMB298.7 million in 2019 primarily due to the combined effect of (i) decrease in revenues from Marketing Cloud and (ii) increase in revenues from Sales Cloud and Service Cloud in line with our business expansion during the same period. Revenues from Marketing Cloud decreased from RMB261.7 million in 2018 to RMB233.2 million in 2019 primarily as we offered discount in selling price of our CRM SaaS services in 2019 so as to strategically enlarge our client base. Revenues from our CRM SaaS services increased from RMB298.7 million in 2019 and to RMB437.3 million in 2021 primarily due to the effect of increase in revenues from Marketing Cloud and Sales Cloud in line with our business expansion during the same period. Revenues from Marketing Cloud increased to RMB256.7 million in 2020 primarily attributable to sales of relatively newly introduced SaaS services including cloud communication, internet of things and ICC. Revenue from our CRM SaaS services increased to RMB437.3 million for the year ended 31 December 2021 primarily due to the increase in revenue from Marketing Cloud and Sales Cloud in line with our business expansion during the same period, partially offset by decrease in revenue from Service Cloud mainly due to (i) structural adjustment of our service matrix in Service Cloud as we plan to gradually optimise our revenue composition by increasing the percentage of revenue contribution from services with relatively higher gross profit margin and (ii) structural adjustment of our client portfolios in Service Cloud as we intend to gradually shift our focus to clients from relatively stable industries, such as financial and Government-related industries, so as to reduce the financial impact of revenue fluctuation.

### Cost of sales

Our cost of sales primarily consists of costs of telecommunication resources, employee benefit expenses, and infrastructure and equipment expenses. Costs of telecommunication resources represent fees we paid to telecommunication network operators in relation to the channel resources. We usually enter into annual contracts with telecommunication network operators. During the four years ended 31 December 2021, costs of telecommunication resources accounted for the largest portion of our cost of sales, representing 94.0%, 95.4%, 95.6% and 95.9%, respectively of our cost of sales in the same period. As the telecommunication network operators commenced general increase in their fees charged in the fourth quarter of 2019, the average service fees of telecommunication resources have increased by 22.6% in 2020 and stayed relatively stable from 2020 to 2021 with an increase of 5.3%. According to Frost & Sullivan, the service fees of telecommunication resources charged by telecommunication network operators increased gradually since the fourth quarter of 2019 and further in 2020, and are expected to remain relatively stable primarily because the gaps of the service fees charged by the three major telecommunication network operators have converged gradually from the previous price adjustment, which was evidenced by the relatively stable average service fees of telecommunication resources with an increased of 5.3% from 2020 to 2021 after the increase in 2020. For details, please refer to the paragraph headed “Risk Factors — We rely on major telecommunication network operators for their provision of telecommunication resources. If we fail to maintain our collaborations with these telecommunication network operators or they keep increasing their service fees level, our business, results of operations and financial condition will be materially and adversely affected.” in this prospectus and the paragraph headed “Period-to-period comparison of results of

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operators — The year ended 31 December 2019 compared to the year ended 31 December 2020 — Cost of sales” in this section.

Based on market data available to us, and among others, information provided by Frost & Sullivan, our Directors are of the view that the fluctuation in service fees of telecommunication resources from 2019 to 2020 was due to the one-off internal measures implemented in 2019 by the telecommunication network operators to control the level of service fees which has become relatively stable thereafter. Based on the aforesaid, our Directors are of the view that the service fees which has are expected to remain relatively stable. Based on the due diligence Sole Sponsor has conducted and taking into consideration the information provided by Frost & Sullivan, the Sole Sponsor concurs with the view of our Directors.

Infrastructure and equipment expenses mainly represent the costs of operation of servers and costs of hardware and equipment to support our solutions. Employee benefit expenses mainly represent wages, salaries, social security and bonuses paid to employees.

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

	<b>For the year ended 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Costs of telecommunication resources	313,462	384,934	576,702	728,366
Employee benefit expenses	7,231	7,406	14,820	16,555
Infrastructure and equipment expenses	6,574	4,686	4,304	6,143
Outsourcing implementation costs	2,353	2,761	2,980	1,426
Taxes and other levies	1,946	1,760	1,546	2,270
Depreciation and amortisation expenses	902	1,301	1,338	1,452
Outsourcing customer service expenses	866	659	1,279	3,146
Others	—	—	—	191
	333,334	403,507	602,969	759,549
<b>Total</b>	<b>333,334</b>	<b>403,507</b>	<b>602,969</b>	<b>759,549</b>

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The following table sets forth our cost of sales by segment, both in absolute amount and as a percentage of our cost of sales for the periods indicated:

	For the year ended 31 December							
	2018		2019		2020		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
CRM PaaS services	142,076	42.6	226,448	56.1	396,863	65.8	494,056	65.0
CRM SaaS services	191,258	57.4	177,059	43.9	206,106	34.2	265,493	35.0
-Marketing Cloud	160,114	48.0	140,504	34.8	169,808	28.2	233,308	30.7
- Sales Cloud	20,282	6.1	10,560	2.6	15,703	2.6	20,573	2.7
- Service Cloud	10,862	3.3	25,995	6.5	20,595	3.4	11,612	1.6
<b>Total</b>	<b>333,334</b>	<b>100.0</b>	<b>403,507</b>	<b>100.0</b>	<b>602,969</b>	<b>100.0</b>	<b>759,549</b>	<b>100.0</b>

### Gross profit and gross profit margin

The following table sets forth our gross profit both in absolute amount and as a percentage of revenue, or gross profit margin, by segment for the periods indicated.

	For the year ended 31 December							
	2018		2019		2020		2021	
	<i>gross profit</i>	<i>gross profit margin</i>	<i>gross profit</i>	<i>gross profit margin</i>	<i>gross profit</i>	<i>gross profit margin</i>	<i>gross profit</i>	<i>gross profit margin</i>
	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)
CRM PaaS services	59,360	29.5	75,070	24.9	63,984	13.9	60,587	10.9
CRM SaaS services	126,141	39.7	121,624	40.7	129,809	38.6	171,805	39.3
-Marketing Cloud	101,571	38.8	92,730	39.8	86,876	33.8	114,310	32.9
-Sales Cloud	17,958	62.3	20,438	65.9	28,961	64.8	45,590	68.9
-Service Cloud	6,612	24.6	8,456	24.5	13,972	40.4	11,905	50.6
<b>Total</b>	<b>185,501</b>	<b>35.8</b>	<b>196,694</b>	<b>32.8</b>	<b>193,793</b>	<b>24.3</b>	<b>232,392</b>	<b>23.4</b>

The decrease in overall gross profit margin during the Track Record Period was primarily due to the decrease in the gross profit margin in our CRM PaaS services during the same period, which was mainly attributable to the general increase of service fees charged by telecommunication network operators which commenced in the fourth quarter of 2019. According to Frost & Sullivan, the service fees charged by (a) three telecommunication network operators in same region; and (b) same telecommunication network operator in different regions, differ largely prior to 2019. As a result of the change in the PRC government policies and the internal policies of the telecommunication network operators, the telecommunication network operators started to increase their service fees in the fourth quarter in 2019 in order to adjust and unify the service fees

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charged in certain regions. As a result, in our cost of sales, the average service fees of the telecommunication resources increased for 22.6% from 2019 to 2020.

According to Frost & Sullivan, and our Directors concur that, the three major telecommunication network operators started to raise the service fees of telecommunication resources in the fourth quarter of 2019 due to synchronisation of relatively lower service fees charged by such telecommunication network operators in some regions in the PRC in accordance with relevant regulatory policies and reports issued in 2019 and 2020. The service fees of telecommunication resources increased gradually since the fourth quarter of 2019 and further in 2020, and are expected to remain relatively stable, primarily because the gaps of the resource fees charged by the three major telecommunication network operators have converged gradually from the previous price adjustment and currently the services fee charged by three telecommunications operators are similar, which was evidenced by the relatively stable average service fees of the telecommunication resources with an increase of 5.3% from 2020 to 2021 as compared to the increase of 22.6% from 2019 to 2020. As a result, our Directors are of the view, and Frost & Sullivan concurs, that the increase of service fees of the telecommunication resources charged by telecommunication network operators may not have adverse material impact on our financial performance, as the service fees of telecommunication resources is expected to remain relatively stable in the forecast period.

The gross profit margin in our CRM SaaS services remained relatively stable at 39.7%, 40.7%, 38.6% and 39.3% for the four years ended 31 December 2021 despite the increase of telecommunication costs in the last quarter of 2019. The relatively stable CRM SaaS gross profit margin is primarily attributable to (i) telecommunication costs accounted for a lower percentage of the total cost for our CRM SaaS services compared to CRM PaaS services as our CRM SaaS revenue consists of revenue from offering software for subscription fee and the related implementation and other product support services fees; and (ii) increasing revenue generated from software subscription fees and software implementation fees for our CRM SaaS service, which generally have a high profit margin due to lower percentage of telecommunication costs of the total cost for our CRM SaaS services as compared to our CRM PaaS services. For details, please refer to the paragraph headed “Key financial ratios/metrics — (viii) further strengthen and extend our CRM SaaS services to cater for evolving clients’ needs” in this section. The slight decrease of the gross profit margin of our CRM SaaS services to 38.6% in 2020 was primarily due to the decrease in gross profit margin in Marketing Cloud mainly attributable to the general increase of service fee charged by telecommunication network operators which commenced in the fourth quarter of 2019. The gross profit margin in our CRM SaaS services increased to 39.3% in 2021, primarily due to economies of scale achieved during the same period.

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The gross profit margin for our Service Cloud was in an increasing trend since 2019, amounting to 40.4% and 50.6% for the two years ended 31 December 2021 respectively, primarily due to optimisation of purchase channel mainly attributable to (i) improved bargaining power, as (a) Dejiu was able to leverage our reputation and platform when conducting its voice message business after its consolidation into our Group in 2018, and (b) contributed by the overall revenue growth and business expansion of our Group; and (ii) change in our revenue structure. The gross profit margin for our Sales Cloud remained relatively stable for the two years ended 31 December 2020 and increased by 4.1% from 64.8% in 2020 to 68.9% in 2021 due to improvement in our Sales Cloud solutions and enhancement in service delivery.

According to Frost & Sullivan, the continuous innovation and improvement in technology or operation, the intense competitive environment and the increase of telecommunication resources costs by the three major telecommunication network operators since the last quarter of 2019 has led to a decreasing profit margin of the market players of the traditional communication services industry. Despite a foreseeable stable trend of the service fee as per Frost & Sullivan in the near future, the industry players will gradually adopt additional measures, such as (i) upgrade of services to meet the evolving clients' need (such as 5G message, video messages and voice messages); (ii) development of new technologies (such as AI or DI) to improve business and product competitiveness; or (iii) leveraging of cPaaS technologies and resource to develop and build new revenue streams, to mitigate the impact from the cost increase while maintaining their competitiveness and recovering their profitability under the current and upcoming business environment.

For a more detailed discussion of the gross profit margins of our two segments, please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section.

### **Selling and distribution expenses**

Our selling and distribution expenses primarily consist of (i) employee benefit expenses associated with our sales and marketing employees; (ii) travel and entertainment expenses incurred by our sales and marketing employees; (iii) outsourcing customer service expenses in relation to provision of after-sales maintenance services; (iv) depreciation and amortisation expenses; and (v) marketing and promotion expenses. As we assess and identify new business opportunities, the growth of our selling and distribution expenses may accelerate opportunistically, and we continue to dedicate selling and marketing efforts to further promote and expand our business. We will also leverage our networking effects to increase selling and marketing efficiency and we expect the proportion of selling and distribution expenses to the revenue to decline as a result.

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The following table sets forth our selling and distribution expenses, sorted by nature, for the periods indicated:

	<b>For the year ended 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses	53,922	60,915	50,464	58,730
Travel and entertainment expenses	8,565	12,260	11,578	13,722
Outsourcing customer service expenses	7,547	7,827	6,220	8,545
Marketing and promotion expenses	5,277	4,622	2,815	4,072
Depreciation and amortisation expenses	4,181	4,612	3,951	4,010
Conference and office expenses	1,582	1,723	742	1,002
Others <sup>(Note)</sup>	1,949	1,471	1,379	943
	83,023	93,430	77,149	91,024
<b>Total</b>	<b>83,023</b>	<b>93,430</b>	<b>77,149</b>	<b>91,024</b>

*Note:*

Others mainly include lease payments on short term leases, communication expenses, property management fee and courier service expenses.

### **Administrative expenses**

Our administrative expenses primarily consist of (i) employee benefit expenses; (ii) travel and entertainment expenses; (iii) conference and office expenses, all of which being associated with our employees in general and administrative purposes; (iv) professional service fees, (v) depreciation and amortisation expenses and (vi) listing expenses for the year ended 31 December 2021. We expect the proportion of administrative expenses (excluding listing expenses) to the revenue to decline as we drive significant operating leverage.



## FINANCIAL INFORMATION

The following table sets forth our administrative expenses, sorted by nature, for the periods indicated:

	<b>For the year ended 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses	26,375	34,211	29,699	38,002
Depreciation and amortisation expenses	3,085	3,745	3,917	4,829
Professional service fees	2,052	1,863	1,600	3,854
Conference and office expenses	1,570	1,567	914	1,256
Travel and entertainment expenses	1,484	1,685	1,339	2,266
Auditors' remuneration — Audit services	571	365	401	310
Listing expenses	—	—	—	15,617
Others <sup>(Note)</sup>	2,018	2,383	1,884	2,381
<b>Total</b>	<b>37,155</b>	<b>45,819</b>	<b>39,754</b>	<b>68,515</b>

*Note:*

Others mainly represent recruiting costs, property management fee and utilities expenses.

### **Research and development expenses**

Our research and development efforts are mainly focused on enhancing our core capabilities and developing new products and solutions. Our research and development expenses primarily consist of (i) employees benefit expenses for those engaging in research and development activities; (ii) depreciation and amortisation expenses, and (iii) infrastructure and equipment expenses for research and development. We expect to continue to invest significant human and financial resources to further enhance our leadership in the intelligent CRM services market.

## FINANCIAL INFORMATION

The following table sets forth our research and development expenses, sorted by nature, for the periods indicated:

	<b>For the year ended 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses	34,208	44,484	45,825	57,672
Depreciation and amortisation expenses	3,500	3,121	3,263	3,297
Infrastructure and equipment expenses	1,785	1,766	1,442	2,129
Travel and entertainment expenses	499	315	116	550
Conference and office expenses	275	123	70	84
Professional service fees <i>(Note)</i>	155	417	1,918	1,816
Others	366	354	388	578
	40,788	50,580	53,022	66,126
<b>Total</b>	<b>40,788</b>	<b>50,580</b>	<b>53,022</b>	<b>66,126</b>

*Note:* Professional service fees mainly represent technology consulting fees in relation to development consulting and strategic guidance on cPaaS platform, AI capabilities and DI capabilities, and patent application expenses.

### Net impairment losses on financial assets

Our net impairment losses on financial assets primarily represent provision for losses arising from our trade and other receivables in the ordinary course of business.

We recorded net impairment losses on financial assets of RMB2.5 million, RMB2.9 million, RMB4.3 million and RMB5.4 million for the four years ended 31 December 2021, respectively. For details, please refer to Note 3.1.2 to the Accountant's Report set out in Appendix I to this prospectus.

### Other income

Other income consist primarily of (i) government grants, which mainly relate to subsidies received from relevant government authorities, (ii) value-added tax refund relating to sales of our CRM PaaS services and CRM SaaS services in accordance with the relevant tax regulations, and (iii) additional deduction of value-added input tax, which relates to the permitted deduction of VAT in accordance with new tax policies<sup>1</sup> effective from April 2019. For details on value-added tax refund and additional deduction of

<sup>1</sup> Announcement of Ministry of Finance, the General Administration of Taxation and the General Administration of Customs on deepening policies related to VAT reformation (Announcement of Ministry of Finance, the General Administration of Taxation and the General Administration of Customs [2019] No. 39 財政部稅務總局海關總署公告[2019年]第39號)

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value-added input tax, please refer to Note 9 to the Accountant's Report set out in Appendix I to this prospectus.

The following table sets forth a breakdown of the components of our other incomes for the periods indicated.

	<b>For the year ended 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	3,647	1,463	1,914	480
Value-added tax refund	3,298	2,802	2,833	4,096
Additional deduction of value-added input tax	–	3,041	4,655	7,814
Others	98	72	269	167
	7,043	7,378	9,671	12,557
<b>Total</b>	<b>7,043</b>	<b>7,378</b>	<b>9,671</b>	<b>12,557</b>

### **Other gains – net**

Our other gains – net primarily consist of net fair value gain on investments in financial assets at fair value through profit or loss.

Our other gains – net amounted to RMB1.3 million, RMB0.6 million, RMB0.5 million and RMB0.4 million for the four years ended 31 December 2021, respectively.

### **Finance income**

Our finance income comprise interest income from our bank deposits. Our finance income amounted to RMB0.4 million, RMB0.4 million, RMB0.7 million and RMB0.8 million for the four years ended 31 December 2021, respectively.

### **Finance costs**

Our finance costs primarily comprise of (i) interest expenses of lease liabilities and (ii) interest expenses of borrowings. Our finance costs amounted to RMB0.3 million, RMB1.8 million, RMB3.0 million and RMB2.6 million for the four years ended 31 December 2021, respectively.

### **Income tax (expense)/credit**

We had (i) income tax credit of RMB2.9 million, RMB1.9 million and RMB2.9 million for the three years ended 31 December 2021, respectively, primarily due to the recognition of deferred income tax assets in respect of the tax losses incurred and the super deduction of research and development expenses entitled during the relevant periods, and (ii) income tax expenses of RMB0.7 million for the year ended 31 December 2018. For details on super deduction of research and development expenses, please refer to Note 12

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to the Accountant's Report set out in Appendix I to this prospectus. As at the Latest Practicable Date, we did not have any disputes with any tax authority.

### *Cayman Islands*

We are incorporated under the laws of the Cayman Islands as an exempted company with limited liability under the Companies Act, and are not subject to tax on income or capital gain. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

### *British Virgin Islands*

Under the current laws of the British Virgin Islands, entities incorporated in the British Virgin Islands as exempted companies are not subject to tax on income or capital gain. In addition, the British Virgin Islands does not impose a withholding tax on payments of dividends to shareholders.

### *Hong Kong*

Hong Kong profits tax rate is 16.5%. No provision for Hong Kong profits tax was provided as our Group did not have assessable profit in Hong Kong during the Track Record Period.

### *PRC*

Income tax provision of our Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year/period, based on the existing legislation, interpretations and practices in respect thereof. The general corporate income tax rate in PRC is 25%.

According to Cai Shui [2012] No. 27 (財稅[2012]27號), key software enterprises that have not benefited from the preferential treatment of tax exemption in the current year may be subject to a lower income tax rate of 10%. In 2016, Cai Shui [2016] No. 49 (財稅[2016]49號, "Circular 49"), is released in order to further clarify the criteria for enterprises to qualify as key software enterprises. Xuan Wu met requirements in Circular 49 for the two years ended 31 December 2018 and 2019.

Xuan Wu had also applied to the relevant tax bureau and was granted the qualification as High and New Technology Enterprise ("HNTE") in 2012 and it has renewed the qualification of HNTE in 2021, which will expire in 2024. It is subject to a preferential income tax rate of 15%. Based on management's assessment, it is highly probable that Xuan Wu will continue to meet the requirements of High-tech Enterprise.

As a result, Xuan Wu was subject to a preferential income tax rate of 10% in 2018 and 2019, and 15% in 2020 and 2021.

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### PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### The year ended 31 December 2020 compared to the year ended 31 December 2021

##### *Revenues*

Our revenues increased by 24.5% from RMB796.8 million for the year ended 31 December 2020 to RMB991.9 million for the year ended 31 December 2021, primarily due to the revenue increase of both of our CRM PaaS services and CRM SaaS services.

*CRM PaaS services:* Our revenue from CRM PaaS services increased by 20.4% from RMB460.8 million for the year ended 31 December 2020 to RMB554.6 million for the year ended 31 December 2021, primarily due to (i) clients' rising demand for our CRM PaaS services enhanced cPaaS platform empowered by AI and DI capabilities, (ii) the increase in numbers of our core clients from CRM PaaS services, and (iii) increase in revenue per core client from CRM PaaS services due to the reinforcement of our cooperations with the core clients.

*CRM SaaS services:* Our revenue from CRM SaaS services increased by 30.2% from RMB335.9 million for the year ended 31 December 2020 to RMB437.3 million for the year ended 31 December 2021, primarily due to (i) clients' rising demand for our CRM SaaS services, (ii) enhanced features in solutions provided by us, (iii) increase in numbers of our core clients from CRM SaaS services, (iv) increase in revenue per core client from CRM SaaS services and (v) the offering of innovative services such as video messaging which is of higher gross profit margin than traditional message services.

##### *Cost of sales*

Our cost of sales increased by 26.0% from RMB603.0 million for the year ended 31 December 2020 to RMB759.5 million for the year ended 31 December 2021. The increase was in line with our business expansion in each of CRM PaaS services and CRM SaaS services for the year ended 31 December 2021.

*CRM PaaS services:* Our cost of sales from CRM PaaS services increased by 24.5% from RMB396.9 million for the year ended 31 December 2020 to RMB494.1 million for the year ended 31 December 2021, primarily due to (i) the increase in costs of telecommunication resources in relation to CRM PaaS services which was generally in line with our stable business growth and (ii) changes in our structure of procurement from different telecommunication network operators as we purchased a larger amount of telecommunication resources from Client-supplier E primarily due to increasing demand from our clients for such telecommunication resources from Client-supplier E and the increased average service fees charged by Client-supplier E during the same period.

*CRM SaaS services:* Our cost of sales from CRM SaaS services increased by 28.8% from RMB206.1 million for the year ended 31 December 2020 to RMB265.5 million for the year ended 31 December 2021, primarily due to (i) the increase in costs of telecommunication resources in relation to CRM SaaS services, which was generally in line with our business expansion in CRM SaaS services during the same period, (ii)

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increase in employee benefit expenses in line with our revenue growth and number of employees and (iii) increase in infrastructure and equipment expenses in relation to cloud server storage in line with our business expansion during the same period. Due to high integration and inseparability of our CRM PaaS and CRM SaaS services, the core technological infrastructures of our CRM SaaS services are based on our CRM PaaS services and therefore the provision of our CRM SaaS services also incurs costs of telecommunication as a result.

### *Gross profit and gross profit margin*

As a result of the foregoing, our overall gross profit increased for 19.9% from RMB193.8 million for the year ended 31 December 2020 to RMB232.4 million for the year ended 31 December 2021, while our overall gross profit margin stayed relatively stable at 24.3% and 23.4%, respectively.

*CRM PaaS services:* Our gross profit margin in CRM PaaS services decreased from 13.9% for the year ended 31 December 2020 to 10.9% for the year ended 31 December 2021, primarily due to changes in our structure of procurement from different telecommunication network operators.

*CRM SaaS services:* Our gross profit margin in CRM SaaS services slightly increased from 38.6% for the year ended 31 December 2020 to 39.3% for the year ended 31 December 2021, primarily due to economies of scale achieved during the same period attributable to our strategic focus on developing CRM SaaS services.

### *Selling and distribution expenses*

As we primarily sell and market our intelligent CRM services through our in-house direct sales force, our selling and distribution expenses primarily consist of employee benefit expenses which amounted to 65.2%, 65.4% and 64.5% for the three years ended 31 December 2021, respectively. Our selling and distribution expenses were also attributable to (i) expenses relating to our policies adopted for enhancing the efficiency of the sales and distribution ability including hiring of talented manpower, providing trainings to employees, adoption of evaluation program and compensation scheme; and (ii) the increasing number of clients which we cross-sold over for the three years ended 31 December 2021. Our selling and distribution expenses increased by 18.0% from RMB77.1 million for the year ended 31 December 2020 to RMB91.0 million for the year ended 31 December 2021, primarily due to (i) increase in employee benefit expenses by RMB8.2 million or 16.2%, from RMB50.5 million to RMB58.7 million, mainly resulting from the expansion of our business where we recorded 24.5% increase in revenue and reduction in the amount of exemption of social security expenses by the relevant PRC government authorities granted in 2020 due to the impact of COVID-19, which indicated that there was an increase in productivity of our in-house direct sales force, (ii) increase in travel and entertainment expenses by RMB2.1 million or 18.1%, from RMB11.6 million to RMB13.7 million, primarily attributable to the expansion of our business, and (iii) increase in outsourcing customer service expenses by RMB2.3 million or 37.1%, from RMB6.2 million to RMB8.5 million which was in line with our business growth and the increase in number of core clients.

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Selling and distribution expenses as a percentage of revenue declined from 9.7% for the year ended 31 December 2020 to 9.2% for the year ended 31 December 2021 as our revenue grew at a faster rate and we have leveraged our networking efforts to increase our selling and marketing efficiency.

### *Administrative expenses*

Our administrative expenses increased by 72.1% from RMB39.8 million for the year ended 31 December 2020 to RMB68.5 million for the year ended 31 December 2021, primarily due to (i) incurrence of listing expenses in the amount of RMB15.6 million, and (ii) increase in employee benefit expenses by RMB8.3 million or 27.9% from RMB29.7 million to RMB38.0 million, mainly due to the combined effect of (i) increase in the number of employees in administrative function and (ii) reduction in the amount of exemption of social security expenses granted in 2020 due to the impact of COVID-19.

Administrative expenses as a percentage of revenue slightly increased from 5.0% for the year ended 31 December 2020 to 6.9% for the year ended 31 December 2021 primarily due to listing expenses.

### *Research and development expenses*

Our research and development expenses increased by 24.7% from RMB53.0 million in the year ended 31 December 2020 to RMB66.1 million for the year ended 31 December 2021, primarily due to increase in the employee benefit expenses by RMB11.9 million or 26.0% from RMB45.8 million to RMB57.7 million, which were generally in line with the increase in the number of employees in research and development function, as we continued investment in research and development in order to enhance our competitiveness and meet the ever-changing demand from our clients.

### *Net impairment losses on financial assets*

Our net impairment losses on financial assets increased by 25.6% from RMB4.3 million for the year ended 31 December 2020 to RMB5.4 million for the year ended 31 December 2021, primarily due to increase in our trade receivables for the year ended 31 December 2021.

### *Other income*

Our other income increased by 29.9% from RMB9.7 million for the year ended 31 December 2020 to RMB12.6 million for the year ended 31 December 2021, primarily due to (i) increase in value-added tax refund from RMB2.8 million to RMB4.1 million and (ii) increase in additional deduction of value added input tax from RMB4.7 million to RMB7.8 million, and was in line with our business expansion.

### *Income tax credit*

Our income tax credit increased by 52.6% from RMB1.9 million for the year ended 31 December 2020 to RMB2.9 million for the year ended 31 December 2021 primarily due to recognition on deferred income tax assets.

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### *Total comprehensive income for the period*

As a result of the foregoing, we recorded a total comprehensive income of RMB29.3 million for the year ended 31 December 2020 and RMB15.4 million for the year ended 31 December 2021.

### **The year ended 31 December 2019 compared to the year ended 31 December 2020**

#### *Revenues*

Our revenues increased by 32.7% from RMB600.2 million for the year ended 31 December 2019 to RMB796.8 million for the year ended 31 December 2020. The increase was primarily attributable to the revenue increase of our CRM PaaS services, and to a lesser extent, the revenue increases in CRM SaaS services.

*CRM PaaS services:* Revenue from CRM PaaS services increased by 52.8% from RMB301.5 million for the year ended 31 December 2019 to RMB460.8 million for the year ended 31 December 2020, primarily due to increase in revenue from CRM PaaS services as a result of the combined effect of (i) clients' rising demand for our CRM PaaS services, (ii) the increase in numbers of our core clients from CRM PaaS services, and (iii) increase in revenue per core client from CRM PaaS services.

*CRM SaaS services:* Revenue from CRM SaaS services increased by 12.5% from RMB298.7 million for the year ended 31 December 2019 to RMB335.9 million for the year ended 31 December 2020, primarily due to (i) clients' rising demand for our CRM SaaS services, (ii) enhanced features in SaaS services and revenue contribution from ICC modules commenced in 2020, (iii) increase in numbers of our clients from CRM SaaS services and (iv) increase in revenue per client from CRM SaaS services.

#### *Cost of sales*

Our cost of sales increased by 49.4% from RMB403.5 million for the year ended 31 December 2019 to RMB603.0 million for the year ended 31 December 2020. The increase was primarily caused by business expansion in each of CRM PaaS and CRM SaaS services for the year ended 31 December 2020.

*CRM PaaS services:* Cost of sales from CRM PaaS services increased by 75.3% from RMB226.4 million for the year ended 31 December 2019 to RMB396.9 million for the year ended 31 December 2020, primarily due to the substantial increase in costs of telecommunication resources in relation to CRM PaaS services, resulting from both our business growth and the general increase of service fee charged by telecommunication network operators during the same period, and was generally in line with our business expansion in CRM PaaS services during the same period. The impact of increase in costs of telecommunication resources was relatively larger in 2020 compared to that of 2019, as the general increase of service fees charged by telecommunication network operators commenced in the fourth quarter of 2019.



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*CRM SaaS services:* Cost of sales from CRM SaaS services increased by 16.4% from RMB177.1 million for the year ended 31 December 2019 to RMB206.1 million for the year ended 31 December 2020, primarily due to (i) the substantial increase in costs of telecommunication resources in relation to CRM SaaS services, resulting from both our business growth and the general increase of service fee charged by telecommunication network operators during the same period and (ii) increase in employee benefit expenses mainly attributable to increase in the number of operational staff in line with our business expansion in 2020. Due to high integration and inseparability of our CRM PaaS and CRM SaaS services, the provision of our CRM SaaS services also incurs costs of telecommunication. The impact of increase in costs of telecommunication resources was relatively larger in 2020 compared to that of 2019, as the general increase of service fees charged by telecommunication network operators commenced in the fourth quarter of 2019.

### *Gross profit and gross profit margin*

As a result of the foregoing our overall gross profit for the two years ended 31 December 2020 were RMB196.7 million and RMB193.8 million, respectively, and our overall gross profit margin were 32.8% and 24.3%, respectively. The decrease in our overall gross profit margin was a result of higher growth rate of cost of sale in comparison to that of revenue.

*CRM PaaS services:* Our gross profit margin in CRM PaaS services decreased from 24.9% for the year ended 31 December 2019 to 13.9% for the year ended 31 December 2020, primarily due to the general increase of service fees charged by telecommunication network operators.

*CRM SaaS services:* Our gross profit margin in CRM SaaS services remained relatively stable at 40.7% for the year ended 31 December 2019 and 38.6% for the year ended 31 December 2020, primarily due to the increase, in relation to CRM SaaS services, in (i) costs of telecommunication resources and (ii) employee benefit expenses, partially offset by increase in revenue per client from CRM SaaS services resulting from increase in selling price of our CRM SaaS services in 2020.

### *Selling and distribution expenses*

Our selling and distribution expenses decreased by 17.5% from RMB93.4 million for the year ended 31 December 2019 to RMB77.1 million for the year ended 31 December 2020, primarily attributable to (i) decrease in the employee benefit expenses from RMB60.9 million to RMB50.5 million, which was in line with the decrease in the number of employees in selling and marketing function due to structure optimisation of our selling and distribution team and (ii) decrease in both marketing and promotion expenses and travel and entertainment expenses attributable to the impact of COVID-19 in 2020.

Selling and distribution expenses as a percentage of revenue declined from 15.6% for the year ended 31 December 2019 to 9.7% for the year ended 31 December 2020 as our revenue grew at a faster rate.

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### *Administrative expenses*

Our administrative expenses decreased by 13.1% from RMB45.8 million for the year ended 31 December 2019 to RMB39.8 million for the year ended 31 December 2020, primarily attributable to (i) decrease in the employee benefit expenses from RMB34.2 million to RMB29.7 million, which was in line with the decrease in the number of employees in administrative function and (ii) partial exemption of social security expenses by the relevant PRC government authorities due to impact of COVID-19 in 2020.

As a percentage of revenue, administrative expenses declined from 7.6% for the year ended 31 December 2019 to 5.0% for the year ended 31 December 2020 as our revenue grew at a faster rate.

### *Research and development expenses*

Our research and development expenses increased slightly by 4.7% from RMB50.6 million for the year ended 31 December 2019 to RMB53.0 million for the year ended 31 December 2020, primarily attributable to the slight increase in the employee benefit expenses from RMB44.5 million to RMB45.8 million in line with the expansion of our research and development team as we continued our investment in research and development so as to expand our CRM SaaS services and improve the service quality of our CRM PaaS and CRM SaaS services, including the continuous development of our ICC module and the development of our Smart Sales 100 module.

Research and development expenses as a percentage of revenue declined from 8.4% for the year ended 31 December 2019 to 6.7% for the year ended 31 December 2020 as our revenue outgrew our investment in research and development in the same period.

### *Net impairment losses on financial assets*

Our net impairment losses on financial assets increased by 48.3% from RMB2.9 million for the year ended 31 December 2019 to RMB4.3 million for the year ended 31 December 2020, primarily due to the disruption to our collection process of trade receivables in 2020 attributable to the impact of COVID-19.

### *Other income*

Our other income increased by 31.1% from RMB7.4 million for the year ended 31 December 2019 to RMB9.7 million for the year ended 31 December 2020, primarily due to (i) increase in additional deduction of value added input tax and (ii) increase in government grants.

### *Operating profit*

As a result of the foregoing, our operating profit increased from RMB12.0 million for the year ended 31 December 2019 to RMB29.7 million for the year ended 31 December 2020.

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### *Income tax credit*

Our income tax credit decreased from RMB2.9 million for the year ended 31 December 2019 to RMB1.9 million for the year ended 31 December 2020, primarily due to the recognition and utilization of deferred income tax assets.

### *Total comprehensive income for the year*

As a result of the foregoing, our total comprehensive income increased by 117.0% from RMB13.5 million for the year ended 31 December 2019 to RMB29.3 million for the year ended 31 December 2020.

### **The year ended 31 December 2018 compared to the year ended 31 December 2019**

#### *Revenues*

Our revenues increased by 15.7% from RMB518.8 million for the year ended 31 December 2018 to RMB600.2 million for the year ended 31 December 2019. The increase was primarily attributable to the increase of revenue of CRM PaaS services, partially offset by the decrease of revenue in CRM SaaS services.

*CRM PaaS services:* Our revenues from CRM PaaS services increased by 49.7% from RMB201.4 million for the year ended 31 December 2018 to RMB301.5 million for the year ended 31 December 2019, primarily due to increase in revenue from CRM PaaS services as a result of the combined effect of (i) clients' rising demand for our CRM PaaS services, (ii) the increase in numbers of our core clients from CRM PaaS services, and (iii) increase in revenue per core client from CRM PaaS services.

*CRM SaaS services:* Revenues from CRM SaaS services decreased slightly by 5.9% from RMB317.4 million for the year ended 31 December 2018 to RMB298.7 million for the year ended 31 December 2019, primarily attributable to decrease in revenue per client from CRM SaaS services due to the discount we offered in our CRM SaaS services as we planned to strategically focus on developing CRM SaaS services partially offset by increase in numbers of our clients from CRM SaaS services in 2019.

#### *Cost of sales*

Our cost of sales increased by 21.1% from RMB333.3 million for the year ended 31 December 2018 to RMB403.5 million for the year ended 31 December 2019. The increase was mainly caused by our business expansion in CRM PaaS services for the year ended 31 December 2019.

*CRM PaaS services:* Cost of sales from CRM PaaS services increased by 59.3% from RMB142.1 million for the year ended 31 December 2018 to RMB226.4 million for the year ended 31 December 2019, primarily due to the substantial increase in costs of telecommunication resources in relation to CRM PaaS services, resulting from both our stable business growth and the general increase of service fees charged by telecommunication network operator which commenced in the fourth quarter of 2019, and was generally in line with our business expansion in CRM PaaS services during the same period.

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*CRM SaaS services:* Cost of sales from CRM SaaS services decreased by 7.4% from RMB191.3 million for the year ended 31 December 2018 to RMB177.1 million for the year ended 31 December 2019, primarily attributable to (i) decrease in revenue from SaaS services and (ii) decrease in infrastructure and equipment expenses in relation to cloud sever storage.

### *Gross profit and gross profit margin*

As a result of the foregoing, our overall gross profit for the two years ended 31 December 2019 was RMB185.5 million and RMB196.7 million, respectively, and our overall gross profit margin was 35.8% and 32.8%, respectively. The decrease in our overall gross profit margin was primarily as a result of decrease of our gross profit margin in CRM PaaS services, partially offset by increase of our gross profit margin in CRM SaaS services.

*CRM PaaS services:* Our gross profit margin in CRM PaaS services decreased from 29.5% for the year ended 31 December 2018 to 24.9% for the year ended 31 December 2019, primarily due to the general increase of service fees charged by telecommunication network operators.

*CRM SaaS services:* Our gross profit margin in CRM SaaS services increased slightly from 39.7% for the year ended 31 December 2018 to 40.7% for the year ended 31 December 2019, primarily due to economies of scale achieved during the same period attributable to our strategic focus on developing CRM SaaS services.

### *Selling and distribution expenses*

Our selling and distribution expenses increased by 12.5% from RMB83.0 million for the year ended 31 December 2018 to RMB93.4 million for the year ended 31 December 2019, primarily due to (i) increase in the employee benefit expenses by RMB7.0 million or 13.0%, from RMB53.9 million to RMB60.9 million, which was driven by our overall business growth and our continued investment in engaging with existing clients and attracting new clients and (ii) increase in travel and entertainment expenses by RMB3.7 million or 43.0%, from RMB8.6 million to RMB12.3 million, primarily attributable to the expansion of our business and increase in onsite client visits.

Selling and distribution expenses as a percentage of revenue declined from 16.0% for the year ended 31 December 2018 to 15.6% for the year ended 31 December 2019 as our revenue grew at a faster rate.

### *Administrative expenses*

Our administrative expenses increased by 23.1% from RMB37.2 million for the year ended 31 December 2018 to RMB45.8 million for the year ended 31 December 2019, primarily attributable to increase in the employee benefit expenses from RMB26.4 million to RMB34.2 million in line with the growth of our business, which was driven by increase in both the average wages and the total number of our general and administrative employees.

As a percentage of revenue, administrative expenses remained stable at 7.2% and 7.6%, respectively for the two years ended 31 December 2019.

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### *Research and development expenses*

Our research and development expenses increased by 24.0% from RMB40.8 million for the year ended 31 December 2018 to RMB50.6 million for the year ended 31 December 2019, primarily attributable to the increase in the employee benefit expenses from RMB34.2 million to RMB44.5 million, which was in line with the increase in both the number of employees in research and development function and their average wages, as we continued our investment in research and development along with business expansion so as to expand our CRM SaaS services, including the development of our ICC module and Smart Sales 100 module, and improve the service quality of our CRM PaaS and CRM SaaS services.

Research and development expenses as a percentage of revenue increased from 7.9% for the year ended 31 December 2018 to 8.4% for the year ended 31 December 2019 as we continued our investment in research and development.

### *Net impairment losses on financial assets*

Our net impairment losses on financial assets remained relatively stable at RMB2.5 million and RMB2.9 million, respectively for the year ended 31 December 2018 and 2019.

### *Other income*

Our other income increased by 5.7% from RMB7.0 million for the year ended 31 December 2018 to RMB7.4 million for the year ended 31 December 2019, primarily due to increase in additional deduction of value added input tax, partially offset by (i) decrease in government grants and (ii) decrease in value-added tax refund.

### *Operating profit*

As a result of the foregoing, our operating profit decreased from RMB30.4 million for the year ended 31 December 2018 to RMB12.0 million for the year ended 31 December 2019.

### *Income tax (expense)/credit*

We have income tax expense of RMB0.7 million for the year ended 31 December 2018 and income tax credit of RMB2.9 million for the year ended 31 December 2019, primarily due to decrease in profit before income tax recognised in 2019 and increase in super deduction of research and development expenses which resulted in the recognition of deferred income tax in 2019.

### *Total comprehensive income for the year*

As a result of the foregoing, our profit decreased from RMB29.8 million for the year ended 31 December 2018 to RMB13.5 million for the year ended 31 December 2019.

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### DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

The following table sets out details of our current assets and current liabilities as at the dates indicated:

	<b>As at 31 December</b>				<b>As at 30 April</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>				
<b>Current assets</b>					
Contract fulfilment costs	4,075	7,787	7,624	5,587	8,939
Contract assets	15	120	361	95	95
Financial assets at fair value through profit or loss	25,667	–	30,200	21,476	30,064
Trade, bill and other receivables and prepayments	169,609	240,567	299,303	369,312	387,354
Restricted cash	95	9	38	1	–
Cash and cash equivalents	74,178	43,070	97,077	88,256	71,187
	273,639	291,553	434,603	484,727	497,639
<b>Current liabilities</b>					
Borrowings	–	39,935	39,512	58,480	80,799
Contract liabilities	24,282	29,278	34,021	31,924	31,222
Trade and other payables	73,780	66,352	115,071	138,375	136,068
Lease liabilities	6,308	7,129	7,391	7,644	6,901
Current income tax liabilities	91	81	93	122	–
	104,461	142,775	196,088	236,545	254,990
Net current assets	169,178	148,778	238,515	248,182	242,649

Our net current assets decreased from RMB169.2 million as at 31 December 2018 to RMB148.8 million as at 31 December 2019, primarily due to the increase of RMB39.9 million in our borrowings as we incurred net borrowings of RMB39.9 million in 2019 in line with our business expansion and the decrease of RMB31.1 million in our cash and cash equivalents, which was partially offset by the increase of RMB71.0 million in our trade, bill and other receivables and prepayments generally in line with our business expansion

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and revenue growth. Our net current assets increased from RMB148.8 million as at 31 December 2019 to RMB238.5 million as at 31 December 2020, primarily due to the increase of RMB58.7 million in our trade, bill and other receivables and prepayments generally in line with our growth in credit sales and business expansion and the increase of RMB54.0 million in our cash and cash equivalents, which was partially offset by the increase of RMB48.7 million in our trade and other payables, primarily due to (i) the increase in telecommunication expenses payable resulting from our increased procurement in line with our business expansion and (ii) the extension of reconciliation cycle of certain telecommunication network operators by one month in December 2020. Our net current assets remained relatively stable at RMB238.5 million, RMB248.2 million and RMB242.7 million, respectively as at 31 December 2020 and 2021 and 30 April 2022.

### **Current Assets**

#### *Contract fulfilment costs*

Contract fulfilment costs represent implementation costs recognised in respect of employee benefit expenses and appropriate proportion of variable and fixed overhead expenditure of ongoing projects in relation to our CRM SaaS services.

Our contract fulfilment costs increased from RMB4.1 million as at 31 December 2018 to RMB7.8 million as at 31 December 2019, primarily attributable to the increase in the numbers of ongoing projects in relation to our CRM SaaS services as at 31 December 2019, and decreased to RMB7.6 million as at 31 December 2020 and further decreased to RMB5.6 million as at 31 December 2021, primarily attributable to shortened project delivery cycle time due to our increased manpower during the relevant periods.

#### *Contract assets*

Contract assets mainly represent our right to consideration in exchange for goods or services which we have transferred to our clients.

Our contract assets increased from RMB15,000 as at 31 December 2018 to RMB120,000 as at 31 December 2019, and further to RMB361,000 as at 31 December 2020 and decreased to RMB95,000 as at 31 December 2021. The amount of contracts asset mainly depends on the contract terms which vary from case to case.

#### *Trade and bill receivables*

Trade and bill receivables primarily represent amounts due from third-party clients for our services performed in the ordinary course of business.

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The following table sets forth our trade and bill receivables as at the dates indicated:

	<b>As at 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables from third parties	126,264	166,087	248,592	278,303
Less: Allowance for impairment of trade receivables	<u>(2,740)</u>	<u>(5,150)</u>	<u>(9,345)</u>	<u>(14,050)</u>
Trade receivables – net	<u>123,524</u>	<u>160,937</u>	<u>239,247</u>	<u>264,253</u>
Bill receivables from third parties	<u>–</u>	<u>354</u>	<u>572</u>	<u>–</u>
Total trade and bill receivables	<u><u>123,524</u></u>	<u><u>161,291</u></u>	<u><u>239,819</u></u>	<u><u>264,253</u></u>

Our trade and bill receivables increased from RMB123.5 million as at 31 December 2018 to RMB161.3 million as at 31 December 2019, and to RMB239.8 million as at 31 December 2020, and further to RMB264.3 million as at 31 December 2021, primarily due to our growth in credit sales generally in line with our business expansion.

We apply the simplified approach permitted by HKFRS 9, which requires the expected lifetime losses to be recognised from initial recognition of the assets. This provision matrix is determined based on historical observed default rates over the expected life of trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. During the four years ended 31 December 2021, the increase in allowance for impairment of trade receivables from RMB2.7 million as at 31 December 2018 to RMB5.2 million as at 31 December 2019, and to RMB9.3 million as at 31 December 2020 and further to RMB14.1 million as at 31 December 2021 was primarily attributable to the increase in gross trade receivables from RMB126.3 million as at 31 December 2018 to RMB166.1 million as at 31 December 2019, to RMB248.6 million as at 31 December 2020 and further to RMB278.3 million as at 31 December 2021. The increase in our gross trade receivables was generally in line with the expansion of our business activities that resulted in increase in revenue for the four years ended 31 December 2021 and the disruption to our collection process of trade receivables in 2020 attributable to the impact of COVID-19 resulting in an increase in our gross trade receivables as at 31 December 2020 where such collection process has been resumed to normal.



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The credit terms given to trade clients are determined on an individual basis with normal credit period mainly more than 30 days. The aging analysis of the trade receivables based on recognition date is as follows:

	<b>As at 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Up to three months	97,620	120,822	188,826	218,343
Three to six months	18,744	25,543	35,483	34,833
Six months to one year	5,098	13,519	10,889	14,303
One to two years	1,912	2,391	8,157	2,901
Over two years	2,890	3,812	5,237	7,923
	<u>126,264</u>	<u>166,087</u>	<u>248,592</u>	<u>278,303</u>

Our trade receivables turnover days increased from 82.9 days for the year ended 31 December 2018 to 86.5 days for the year ended 31 December 2019, and to 91.7 days for the year ended 31 December 2020, and further to 92.6 days for the year ended 31 December 2021, primarily due to (i) the increase in credit sales during the same period; (ii) we offered longer credit terms of generally around 90 days, to clients who are of strategic importance usually from CRM PaaS services and from Marketing Cloud in CRM SaaS services as we expect to generate relatively larger revenue from our strategic cooperation with such clients during the same period; and (iii) the increase in trade receivables during the three years ended 31 December 2020 from telecommunication network operators which generally have longer credit terms resulting from our long-term cooperation relationship and their good credit history. Trade receivables turnover days for a given period are equal to the average net trade receivables from contracts with clients, at the beginning and at the end of the period divided by revenues during the period and multiplied by 365 days. According to Frost & Sullivan, major clients, such as the telecommunication network operators, banks and SOEs generally enjoy longer credit terms of approximately 90 days and have better creditability.

We have assessed the recoverability of the relevant outstanding trade receivables by taking into account of financial position of our clients, credit rating, credit history of our clients, years of relationship between our Group and clients, existence of forecast changes in market or environment that have a significant adverse effect on our clients' ability to meet their payment obligation to us and other factors. Our trade receivables aged over one year from clients was RMB4.8 million, RMB6.2 million, RMB13.4 million and RMB10.8 million accounting for 3.8%, 3.7%, 5.4% and 3.9% of our total trade receivables as at 31 December 2018, 2019, 2020 and 2021, respectively. The decrease in the amount of trade receivables aged over one year from clients from 31 December 2020 to 31 December 2021 was an evidence of our efforts in strengthening of our management of trade receivables during the same period. We have established legal department in 2021 to strengthen the management of trade receivables and improve the collection rate. We have also adopted the internal policies to (i) strengthen the management and supervision of contract; (ii) provide guidance on contract signing and handling change of contractual terms; and (iii)

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deal with abnormal circumstances. Furthermore, our in-house legal professionals would provide legal advice on a timely basis where there are long standing trade receivables or when dispute arises. In addition, we also undertake to further enhance our internal measures in order to control and assess the counterparty risks during the course of business.

We will continue to strengthen our management in trade receivables and improve the collection rate in the future and our Directors are of the view that sufficient provision has been made to trade receivables and the risk of not being able to recover the remaining trade receivables, net of provision, in particular for those aged over one year, is relatively low based on our evaluation of the historical credit standing and the credit records of these clients as most of our trade receivables are contributed by SOEs or reputable large-scale enterprises. For further information about our accounting for trade receivables and description of our impairment policies, please refer to Note 3.1.2 to the Accountant's Report set out in Appendix I to this prospectus.

Furthermore, in view of the recent press reports on the financial difficulties of property developers in the PRC, despite our outstanding trade receivables balance in relation to property developers in the PRC is immaterial to our overall outstanding trade receivables, we have put into place a number of measures to safeguard our interests: (i) we have been negotiating with one of our property developer clients in the PRC, which contributed most of our outstanding trade receivables balance in relation to property developers in the PRC, regarding its outstanding trade receivables balance; (ii) we have designated sales staff to follow up on the progress of the settlement through telephone and text messages on periodic basis with the aforesaid client; and (iii) we are in the course of communicating with the aforesaid client for a concrete payment plan.

As at 31 December 2021, the total outstanding trade receivables balance in relation to property developers in the PRC was only RMB257,940 which accounted for only 0.1% of our outstanding trade receivables. Furthermore, property developers does not form part of our key clients and they only contributed 0.07%, 0.04%, 0.01% and 0.006% of our revenue, and 0.20%, 0.23%, 0.13% and 0.1% of our trade receivables during the Track Record Period. Therefore, our Directors are of the view that our outstanding trade receivables and financial position and performance would not be materially affected in this regard.

RMB187.9 million, or 67.5% of our trade and bill receivables as at 31 December 2021, were subsequently settled as at 30 April 2022.

### *Other receivables and prepayments*

Other receivables mainly represent amount due from third parties including deposits and tender deposits which mainly represent security deposits paid to tenderers in the tendering process, which may be either refunded or kept as performance security depending on the tender results. Prepayments primarily represent amount prepaid to suppliers including telecommunication expenses and other prepaid expenses.

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The following table sets forth our other receivables and prepayments as at the dates indicated:

	<b>As at 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other receivables				
– Third parties	7,201	9,182	10,599	15,957
Allowance for impairment of other receivables	<u>(102)</u>	<u>(125)</u>	<u>(143)</u>	<u>(174)</u>
Net amount	<u>7,099</u>	<u>9,057</u>	<u>10,456</u>	<u>15,783</u>
Prepayment to suppliers				
– Current portion	37,676	68,026	47,206	86,330
– Non-current portion	<u>481</u>	<u>535</u>	<u>565</u>	<u>336</u>
Total prepayments	<u>38,157</u>	<u>68,561</u>	<u>47,771</u>	<u>86,666</u>
Total amount of other receivables and prepayments	<u><u>45,256</u></u>	<u><u>77,618</u></u>	<u><u>58,227</u></u>	<u><u>102,449</u></u>

Our other receivables increased by 28.2% from RMB7.1 million as at 31 December 2018 to RMB9.1 million as at 31 December 2019, and increased by 15.4% to RMB10.5 million as at 31 December 2020 and further by 50.5% to RMB15.8 million as at 31 December 2021, which was in line with our business expansion and growth in revenue during the relevant periods. All the non-trade balances with related parties have been settled.

Our prepayment increased by 79.6% from RMB38.2 million as at 31 December 2018 to RMB68.6 million as at 31 December 2019, primarily due to attractive prepayment offers provided by suppliers in 2019, and decreased by 30.3% to RMB47.8 million as at 31 December 2020, primarily due to relatively less attractive prepayment offers provided by suppliers in 2020. Our prepayment increased by 81.4% from RMB47.8 million as at 31 December 2020 to RMB86.7 million as at 31 December 2021, primarily due to increase in prepayment in relation to telecommunication resources costs.

RMB5.5 million, or 34.4% of our other receivables as at 31 December 2021, were subsequently settled as at 30 April 2022. RMB46.6 million, or 53.7% of our prepayments as at 31 December 2021, were subsequently settled as at 30 April 2022.

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### *Financial assets at fair value through profit or loss*

During the Track Record Period, our financial assets at fair value through profit or loss comprised investments in certain wealth management products issued by major and reputable commercial banks in the PRC — Level 3 financial assets. Our financial assets at fair value through profit or loss amounted to RMB25.7 million, nil, RMB30.2 million and RMB21.5 million as at the four years ended 31 December 2021, respectively.

During the Track Record Period, the wealth management products purchased by us were generally described as having low or middle levels of risks in the product description manuals published by the issuing banks. The underlying assets of the wealth management products were primarily low-risk fixed income instrument and principal-guaranteed financial instruments, and can be redeemed at our preference.

To monitor and control the investment risks associated with our wealth management product portfolio, we have adopted a comprehensive set of internal policies and guidelines to manage our investment in wealth management products. Supervised by Mr. Chen Yonghui, our Chairman, Chief Executive Officer and Executive Director, Mr. Huang Fangjie, our Executive Director and Senior Vice President, and Ms. Ge Ping, our Chief Financial Officer, Vice President and Joint Company Secretary, who were highly involved in our historical investments, our finance department will propose, analyse and evaluate potential investment in wealth management products based on our financial liquidity and recommendations of our relationship and account managers at reputable banks in China, taking into account factors including risk rating, rate of return and risk of return of wealth management products. Prior to making any material investments in wealth management products or modifying our existing investment portfolio, the proposal shall be approved by Mr. Chen Yonghui, Mr. Huang Fangjie, Ms. Ge Ping and their designated senior member of our management. Our investment strategy related to wealth management products focuses on minimising the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, while generating desirable investment returns for the benefits of our shareholders. We primarily invest in wealth management products issued by major commercial banks in China with relatively low risks and a short to mid-term of no more than one year. We make investment decisions related to wealth management products on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions, risk control and credit of issuing banks, our own working capital conditions, and the expected profit or potential loss of the investment. In relation to the valuation of the wealth management products — Level 3 financial assets, our management has established and implemented the following rules and procedures relating to, including but not limited to: (i) reviewing the terms of underlying agreements of the wealth management products; (ii) performing assessment on the investment target, investment amount, expected return rate, investment return analysis and investment risk analysis; (iii) carefully considered all information which require management assessments and estimates; and (iv) carefully reviewed the valuation model prepared by the finance department in determining the fair value of the wealth management products and the valuation related policies, methodologies and techniques. In light of the above, our Directors are satisfied with the valuation for the Company's financial assets categorised within Level 3 of fair value measurement in the historical financial information for the

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purpose of the preparation of the Accountant's Report as referred to in Appendix I to this prospectus. Such investment in wealth management products will be subject Chapter 14 requirements after Listing.

Details of the fair value measurement of financial assets at fair value through profit or loss, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value are disclosed in Note 19 of the Accountant's Report in Appendix I to this prospectus which was issued by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant's opinion on the Historical Financial Information, as a whole, of the Group for the Track Record Period is set out on page 2 of Appendix I to this prospectus.

The Sole Sponsor has performed the following due diligence work in respect of the valuation analysis on our Group's Level 3 financial assets:

- (i) discussed with our Directors to understand the nature and details of the financial assets, the internal policies and guidelines for the management of the Level 3 financial assets and the key basis and assumptions for the valuation of the Level 3 financial assets;
- (ii) reviewed the relevant notes in the Accountant's Report as set out in Appendix I;
- (iii) discussed with the Reporting Accountant to understand the work they have performed in relation to the valuation of the Level 3 financial assets for the purpose of reporting on the historical financial information of our Group as a whole; and
- (iv) obtained and reviewed the relevant underlying documents concerning the corresponding Level 3 financial assets during the Track Record Period.

Based on the due diligence work conducted as described above and taking into account the work performed by the management of our Company and the unqualified opinion on the historical financial information of our Group as a whole issued by the Reporting Accountant as set out in Appendix I, nothing has come to the attention of the Sole Sponsor that would cause any disagreement with the valuation of the Level 3 financial assets.

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The following table sets forth our financial assets at fair value through profit or loss as at the dates indicated:

	<b>As at 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Wealth management products				
– Level 3 <sup>Note 1</sup>	25,667	–	30,200	21,476

*Note:*

- (1) If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. We use estimated discounted cash flows to make assumptions.

The following table sets forth the changes in level 3 instruments for the four years ended 31 December 2021.

	<b>Year ended 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening balance	30,153	25,667	–	30,200
Additions	50,000	15,200	111,000	152,500
Gains for the year recognised in profit or loss	1,342	599	539	1,112
Disposal	(55,828)	(41,466)	(81,339)	(162,336)
Closing balance	25,667	–	30,200	21,476

Our financial assets at fair value through profit or loss decreased from RMB25.7 million as at 31 December 2018 to nil as at 31 December 2019, primarily due to redemption of our wealth management products, and increased to RMB30.2 million as at 31 December 2020, primarily due to relatively larger amount of our purchase of certain wealth management products in 2020. Our financial assets at fair value through profit or loss decreased to RMB21.5 million as at 31 December 2021, primarily due to our redemption of wealth management products.

For details on fair value measurements of the level 3 financial instruments we purchased during the Track Record Period, please refer to Note 19 to the Accountant's Report set out in Appendix I to this prospectus.

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### Current Liabilities

#### *Trade and other Payables*

Trade and other payables primarily consist of trade payables and other payables. Trade payables mainly represent telecommunication expenses and server rental fees for services provided to us that remain unpaid. Other payables to related parties are non-trade in nature, unsecured, interest-free and repayable on demand. Other payables to third parties primarily consist of accrued expenses. The following table sets forth our trade and other payables as at the dates indicated:

	<b>As at 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables				
– Third parties	<u>31,326</u>	<u>33,454</u>	<u>83,091</u>	<u>94,133</u>
Other payables				
– Related parties	2,580	–	5	–
– Third parties	<u>2,673</u>	<u>5,880</u>	<u>6,653</u>	<u>14,828</u>
	<u>5,253</u>	<u>5,880</u>	<u>6,658</u>	<u>14,828</u>
Accrued payroll	25,480	25,096	21,496	25,621
Other tax payables	1,502	1,922	3,826	3,793
Dividend payables	<u>10,219</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>37,201</u>	<u>27,018</u>	<u>25,322</u>	<u>29,414</u>
	<u>73,780</u>	<u>66,352</u>	<u>115,071</u>	<u>138,375</u>

Our trade and other payables decreased by 10.0% from RMB73.8 million as at 31 December 2018 to RMB66.4 million as at 31 December 2019, primarily due to the dividend payable in the amount of RMB10.2 million as at 31 December 2018 was settled in 2019. Our trade and other payables increased by 73.3% from RMB66.4 million as at 31 December 2019 to RMB115.1 million as at 31 December 2020, primarily due to (i) increase in telecommunication expenses payable resulting from our increased procurement in line with our business expansion; and (ii) the extension of reconciliation cycle of certain telecommunication network operators by one month in December 2020. Our trade and other payables further increased by 20.2% from RMB115.1 million as at 31 December 2020 to RMB138.4 million as at 31 December 2021, primarily due to increase in trade payables resulting from our increased procurement in line with our business expansion. We have nil balances of other payables to related parties as at Latest Practicable Date.

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Our suppliers usually offer a credit period of approximately 30 days to us. Our trade payable turnover days remained relatively stable at 32.2, 29.3, 35.3 and 42.6 days for the four years ended 31 December 2021. During the Track Record Period, the general increase in our turnover days was mainly due to the increase in our bargaining power with suppliers. Trade payable turnover days for a given period are equal to average trade payable balances at the beginning and at the end of the period, divided by the sum of cost of sales during the period, and then multiplied by 365 days.

The following table sets forth the aging analysis of our trade payables based on recognition date:

	<b>As at 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Aging</b>				
Up to three months	30,199	29,425	76,775	86,604
Three to six months	128	2,457	3,950	899
Over six months	999	1,572	2,366	6,630
	<u>31,326</u>	<u>33,454</u>	<u>83,091</u>	<u>94,133</u>

RMB67.7 million, or 71.9% of our trade payables as at 31 December 2021, were subsequently settled as at 30 April 2022.

### ***Contract liabilities***

Contract liabilities represent our obligation to transfer services to a client for which we have received consideration from the client or the payment is due, but the transfer of services has not yet been completed. Our contract liabilities increased from RMB24.3 million as at 31 December 2018 to RMB29.3 million as at 31 December 2019, and further increased to RMB34.0 million as at 31 December 2020 which was generally in line with our expanded business and increased revenue during the same period. Our contract liabilities decreased to RMB31.9 million as at 31 December 2021 primarily due to less prepayment from clients during the same period.

### ***Borrowings***

As at 31 December 2018, we did not have any bank borrowings. As at 31 December 2019, 2020 and 2021 and 30 April 2022, we had bank borrowings amounting to RMB39.9 million, RMB39.5 million, RMB58.5 million and RMB80.8 million, respectively. All bank borrowings were guaranteed by certain shareholders of our Company and such guarantee will be replaced by corporate guarantee before or upon the Listing.



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The following table sets forth the effective interest rates of our borrowings as at the dates indicated:

		As at 31 December			As at 30 April 2022
	2018	2019	2020	2021	(unaudited)
Bank borrowings	–	4.08%	2.79%	3.29%	3.33%

As at the dates indicated, borrowings were repayable as follows:

		As at 31 December			As at 30 April 2022
	2018	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	–	39,935	39,512	58,480	80,799

The amounts of unutilised bank facilities as at 31 December 2018, 2019, 2020 and 2021 and 30 April 2022 were RMB30.0 million, nil, RMB20.0 million, RMB65.0 million and RMB112.9 million.

We have sufficient (i) cash and cash equivalents and (ii) financial assets at fair value through profit or loss in the form of wealth management products which can be redeemed anytime at our discretion should such need arise to cover repayment of bank borrowings at the respective due date.

### *Lease liabilities*

Lease liabilities represent the present value of outstanding lease payments under our lease agreements.

The following table sets forth our lease liabilities as at the dates indicated:

		As at 31 December			As at 30 April 2022
	2018	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Lease liabilities</b>					
Current	6,308	7,129	7,391	7,644	6,901
Non-current	11,601	6,191	269	24,236	22,785
	17,909	13,320	7,660	31,880	29,686

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We recorded lease liabilities of RMB17.9 million, RMB13.3 million, RMB7.7 million, RMB31.9 million and RMB29.7 million as at 31 December 2018, 2019, 2020 and 2021 and 30 April 2022, respectively. The decrease from 2019 to 2020 was primarily attributable to our settlement of rental expenses whereas the increase from 2020 to 2021 was primarily attributable to the entering of new lease agreement during 2021. Our lease liabilities remained relatively stable at RMB31.9 million and RMB29.7 million as at 31 December 2021 and 30 April 2022, respectively.

### *Non-Current Assets/Liabilities*

The following table sets forth our non-current assets and non-current liabilities as at the dates indicated.

	<b>As at 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>				
Property, plant and equipment	5,011	5,660	4,952	8,374
Right-of-use assets	18,720	13,498	7,435	31,953
Intangible assets	15,659	14,537	15,107	14,113
Deferred income tax assets	701	3,613	5,577	8,464
Prepayments	481	535	565	336
	<u>40,572</u>	<u>37,843</u>	<u>33,636</u>	<u>63,240</u>
<b>Non-current liabilities</b>				
Lease liabilities	11,601	6,191	269	24,236
Deferred income tax liabilities	138	150	113	32
	<u>11,739</u>	<u>6,341</u>	<u>382</u>	<u>24,268</u>

### *Property, plant and equipment*

Property, plant and equipment are stated at the historical cost less accumulated depreciation and any impairment loss. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs for bringing the asset to its working condition and location for its intended use.

Our property, plant and equipment primarily consist of computers and electronic equipment, office furniture and equipment, and leasehold improvements. Our property, plant and equipment increased from RMB5.0 million as at 31 December 2018 to RMB5.7 million as at 31 December 2019, primarily due to relatively larger amount of additions during the same period, and decreased to RMB5.0 million as at 31 December 2020

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primarily due to a relatively larger amount of depreciation charge during the same period. Our property, plant and equipment increased to RMB8.4 million as at 31 December 2021 primarily due to a relatively larger amount of leaseholds improvements incurred during the same period.

### *Right-of-use assets*

Our right-of-use assets relate primarily to leases of office space at our Guangzhou headquarters and other branches. Our right-of-use assets decreased from RMB18.7 million as at 31 December 2018 to RMB13.5 million as at 31 December 2019, and to RMB7.4 million as at 31 December 2020 primarily due to relatively larger amount of depreciation charge during the same period. Our right-of-use assets increased to RMB32.0 million as at 31 December 2021 primarily due to the addition of right-of-use assets from entering a new lease agreement during the same period.

### *Intangible assets*

Our intangible assets primarily comprise (i) software we purchased for use in our ordinary course of business and (ii) platform and goodwill acquired through our acquisition of Dejiu. For details of acquisition of Dejiu, please refer to the paragraph headed “History and Reorganisation — Corporate development — Our major subsidiaries and Consolidated Affiliated Entities — Xuan Wu — (5) Acquisition of Dejiu” in this prospectus. Our intangible asset (other than goodwill) decreased slightly from RMB5.2 million as at 31 December 2018 to RMB4.0 million as at 31 December 2019 primarily due to relatively larger amount of amortisation charge in comparison to amount of additions, and increased to RMB4.6 million as at 31 December 2020, primarily due to our purchase of additional computer system software. Our intangible asset (other than goodwill) decreased to RMB3.6 million as at 31 December 2021, primarily due to amortisation charge in the same period.

### *Goodwill*

Goodwill arising from the acquisition of a subsidiary through business combinations is stated as below:

	<b>Dejiu</b> RMB'000
As at 31 December 2018, 2019, 2020 and 2021	
Goodwill	<u>10,490</u>

The goodwill of RMB10.5 million represents the excess of the acquisition consideration transferred and amount of non-controlling interests in Dejiu over the fair value of the net identifiable assets acquired as at the relevant acquisition date. For details of acquisition of Dejiu, please refer to the paragraph headed “History and Reorganisation — Corporate development — Our major subsidiaries and Consolidated Affiliated Entities — Xuan Wu — (5) Acquisition of Dejiu” in this prospectus.

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Goodwill is monitored by our management at the level of voice and video communication capabilities business cash generation units (“CGU”) related to Dejiu. Goodwill has been assessed based on the related CGU for impairment testing.

### *Impairment test for goodwill*

Goodwill is monitored by our management at the level of voice and video communication capabilities business CGU related to Dejiu. Goodwill has been assessed based on the related CGU for impairment testing.

The following table sets forth each key assumption on which management has based its 5 years cash flow projections to undertake impairment testing of goodwill as at 31 December 2018, 2019, 2020 and 2021:

	As at 31 December			
	2018	2019	2020	2021
Annual growth rate of revenue during the projection period	5% – 35%	5% – 15%	5% – 15%	5% – 15%
Gross margin during the projection period (% of revenue)	40% – 45%	40% – 45%	45%	50% – 51%
Long term growth rate	3%	3%	3%	3%
Pre-tax discount rate	21%	22%	20%	20%

As at 31 December 2018, 2019, 2020 and 2021, the recoverable amount of the CGU in Dejiu is estimated to exceed the carrying amount of the CGU by RMB41.1 million, RMB15.6 million, RMB53.9 million and RMB32.2 million. Such recoverable amount of the CGU is determined based on VIU calculations. The calculation requires our Group to estimate the future cash flows expected to arise from CGU and a suitable discount rate in order to calculate the present value.

As at 31 December 2018, 2019, 2020 and 2021, the percentage of headroom in the goodwill impairment test is 61%, 18%, 67% and 35% respectively.

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Our management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets forth the possible changes to the key assumptions of the impairment test and the changes taken in isolation in the VIU calculations that would remove the remaining headroom respectively as at 31 December 2018, 2019, 2020 and 2021:

	As at 31 December			
	2018	2019	2020	2021
Annual growth rate of revenue during the projection period	-31%	-6%	-85%	-29%
Pre-tax discount rate	+73%	+10%	+122%	+41%

Except for the above changes, our management considers that there is no other reasonably possible change in key parameters that would cause the carrying amount of the CGU to exceed its recoverable amount.

By reference to the recoverable amount assessed as at 31 December 2018, 2019, 2020 and 2021, our Directors determined that no impairment provision on goodwill was required as at 31 December 2018, 2019, 2020 and 2021. For details on impairment assessment of goodwill, please refer to Note 16(a) to the Accountant's Report set out in Appendix I to this prospectus.

### **Accumulated Losses**

We recorded accumulated losses in the amount of RMB14.1 million and RMB0.5 million as at 31 December 2018 and 2019, respectively primarily due to the provision of substantial share-based payments expenses in 2015 and 2016 in the amount of RMB57.6 million. We recorded retained earnings of RMB36.0 million as at 31 December 2021 primarily due to our business growth and net profit of RMB29.8 million, RMB13.5 million, RMB29.3 million and RMB15.4 million for the four years ended 31 December 2021, respectively.

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### KEY FINANCIAL RATIOS/METRICS

The following table sets forth our key financial ratios/metrics for the periods indicated:

	For the year ended 31 December			
	2018	2019	2020	2021
	%	%	%	%
Revenue growth:				
CRM PaaS services	N/A	49.7	52.8	20.4
CRM SaaS services	N/A	(5.9)	12.5	30.2
Total	N/A	15.7	32.7	24.5
Gross Margin:				
CRM PaaS services	29.5	24.9	13.9	10.9
CRM SaaS services	39.7	40.7	38.6	39.3
Total	35.8	32.8	24.3	23.4
Net profit margin	5.7	2.2	3.7	1.5
Adjusted net profit margin (non-HKFRS measures)	5.7	2.2	3.7	3.1

We recorded relatively stable adjusted net profit margin (non-HKFRS measures) for the two years ended 31 December 2021. For the purpose of maintaining and improving the profitability of our Group, we have or intend to (i) improve standardisation of our CRM services, (ii) reduce customisation cost by leveraging our aPaaS platform, (iii) reduce the time of development, implementation and delivery of our services, (iv) implement core client strategy, (v) enhance CRM PaaS capabilities and speed up introduction and promotion of new services, such as 5G services, video messages, and AIoT equipment and related application, (vi) implement cross-selling strategy, (vii) enhance our cooperation with telecommunication network operators and making prepayments to telecommunication network operators, (viii) further strengthen and extend our CRM SaaS services to cater for evolving clients' needs, (ix) enhance efficiency of organisation and operation and (x) gradually increase selling price when entering into new and renewed contracts.

Below detailed how the implementation of initiatives improved or will improve our profitability:

- (i) improve standardisation of our CRM services, (ii) reduce customisation cost by leveraging its aPaaS platform, (iii) reduce the time of development, implementation and delivery of its services, and (iv) implement core client strategy*

We have attained increase in its operational efficiency as evidenced in (a) the increase in productivity of our employees responsible for the development and implementation of our Sales Cloud solutions, as we recorded increasing average revenue per our Sales Cloud implementation employee during the Track Record Period; (b) the general decrease in time needed for development, implementation and delivery of services leveraging our experience in catering different clients' needs with different

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business models over the years; and (c) the decrease in necessary timeframe for the Smart Sales 100 — SFA module projects from 2019 to 2021. As core clients in general have higher demand for intelligent CRM services in terms of both volume and complexity, they contribute higher annual revenue and have higher retention rate, our Group has been focusing on developing our business by expanding and retaining core clients.

*(v) enhance CRM PaaS capabilities and speed up introduction and promotion of new services, such as 5G services, video messages, and AIoT equipment and related application*

We will continue to enhance our CRM PaaS capabilities including cPaaS, aPaaS, AI and DI, in order to improve our overall service competitiveness and facilitate the enhancement of the functions of Marketing Cloud, Sales Cloud and Service Cloud. We expect to achieve higher gross profit margin in the provision of 5G services, video messages and AIoT equipment and related application as compared to the traditional message services. We recorded a higher gross profit margin in video messaging than traditional message services during the year ended 31 December 2021. According to Frost & Sullivan, new services such as 5G services, video messaging, AIoT equipment and related applications normally enjoy high profit margin. We also expect to change our product mix by gradually increasing the proportion of sales of these new services with higher gross profit margin and to achieve a higher gross profit margin in the future.

Since 2019, we started to monetise our AI functions which is one of our PaaS capabilities through sales of either standalone AI functions or CRM PaaS and SaaS services integrated with AI capabilities, and the revenue from sales of standalone AI functions has grown rapidly since then. As the standalone AI functions would have higher gross profit margin compared to cPaaS services, we expect that our standalone AI functions would contribute considerably to the improvement of overall CRM PaaS services gross profit margin.

*(vi) implement cross-selling strategy*

Further, we have also implemented cross-selling strategy between our CRM PaaS and CRM SaaS services, where Marketing Cloud is often cross-sold with cPaaS during the Track Record Period, to improve our overall gross profit margin. As marketing channel has evolved from text messages to a variety of social channels such as WeChat, email, and 5G messages, downstream clients require a comprehensive one-stop service that could cover different marketing channels. Over the past few years, with the growing demand of all-channel marketing services, a growing amount of our CRM PaaS clients, especially clients from finance, government, and FMCG industries, have also purchased our Marketing Cloud solutions. Through the cross-selling strategy, between CRM PaaS and Marketing Cloud, we have effectively increased the revenue from Marketing Cloud, which has higher gross profit margin as compared to CRM PaaS services, and therefore improved its overall gross profit margin.

*(vii) enhance our cooperation with telecommunication network operators and making prepayment to telecommunication network operators*

We have maintained our unit cost by enhancing our cooperation with telecommunication network operators and making relatively larger amount of prepayments.

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### *(viii) further strengthen and extend our CRM SaaS services to cater for evolving clients' needs*

Our Group has been deploying resources in selling and distribution and research and development to further strengthen and extend our CRM SaaS services to cater for evolving clients' needs. We have also accumulated extensive industry experience and expertise over the past 10 years and has gained recognition among key industries such as FMCG, financial, TMT and Government-related industries, and thereby increased our CRM SaaS revenue as well as the contribution of our CRM SaaS services towards our gross profit over the Track Record Period. For our CRM SaaS services, we generate revenue from offering software for subscription fee and the related implementation and other product support services fees, and incurred lower percentage of telecommunication costs of the total cost for our CRM SaaS services compared to CRM PaaS services. Software subscription fees are charged as one-off subscription fee or a fixed recurring fee respectively, while the related software implementation fees are charged on one-off basis based on estimated workload and other product support services fees are mainly charged over contract period. Revenue from offering software for subscription fee and the related implementation and other product support services fees amounted to RMB38.5 million, RMB42.4 million, RMB77.2 million and RMB130.1 million for the four years ended 31 December 2021, and accounted to 12.1%, 14.2%, 23.0% and 29.7% percentage of total CRM SaaS revenue indicating a growing trend of increasing revenue contribution from sources that are less affected by the increasing cost of telecommunication resources. As such, our CRM SaaS services has a higher gross profit margin, and our overall profitability has also been improved by the increased in revenue from CRM SaaS services.

### *(ix) enhance efficiency of organisation and operation*

We have been adopting different policies to enhance efficiency of organization and operations. Over the years, we have been exploring for potential employees from colleges and, as at 31 December 2021, employees with bachelor or master degree accounted for around 80% of our Group's total number of employees. We have also set up evaluation regimes to keep the employees in good shape. There are monthly or annually evaluations and around 10% of the employees with unsatisfactory evaluation results will be eliminated each year. Trainings are also provided to the employees to keep them equipped with updated skills to enhance work efficiency. Further, employees will be rewarded accordingly taking into account their performances in terms of profit generated, management effectiveness and/or research and development achievements so to keep them motivated and to exploit their potentials.

By serving clients of different needs, we have accumulated extensive experience enabling it to build up features, function, modules and solutions which are tailored to the needs of its clients. With years of experience in serving and tailor-making various features, function, modules and solutions towards different types of clients, we have now equipped with various reusable standardised features, function, modules and solutions to fulfill the customisation of clients' needs. As such, we will be continuously improving its capability in customisation along with more and more experience in catering for different clients' needs so to further lower relevant costs and enhance the profitability as a whole.



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(x) *gradually increase selling price when entering into new and renewed contracts*

Our Group has recorded a steadily increasing trend in our per unit selling price in the contracts which we have entered into with our new clients and contracts which we have renewed with our existing clients, from 2019 to 2020 and further to 2021.

Please refer to the paragraphs headed “Period-to-period comparison of results of operations — The year ended 31 December 2020 compared to the year ended 31 December 2021”, “Period-to-period comparison of results of operations — The year ended 31 December 2019 compared to the year ended 31 December 2020” and “Period-to-period comparison of results of operations — The year ended 31 December 2018 compared to the year ended 31 December 2019” in this section for a discussion of the factors affecting our results of operations during the respective periods.

### LIQUIDITY AND CAPITAL RESOURCES

We had historically funded our working capital from capital contribution from shareholders and borrowings. We had cash and cash equivalents and restricted cash of RMB74.3 million, RMB43.1 million, RMB97.1 million and RMB88.3 million as at 31 December 2018, 2019, 2020 and 2021, respectively.

Moving forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, other funds raised from the capital markets from time to time and the net proceeds received from the Global Offering. We currently do not have any plans for material additional external financing.

Taking into account the financial resources available to us, including our cash and cash equivalents, our available banking facilities, and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present needs and for the next 12 months from the date of this prospectus.

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

	<b>Year ended 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating cash flows before				
movements in working capital	43,205	27,005	45,911	32,969
Movements in working capital	(17,738)	(67,176)	(9,656)	(51,079)
Interest received	441	379	706	750
Income tax paid	(2,826)	(101)	(12)	(99)
	<u>23,082</u>	<u>(39,893)</u>	<u>36,949</u>	<u>(17,459)</u>
<b>Net cash generated from/ (used in) operating activities</b>				
	<u>23,082</u>	<u>(39,893)</u>	<u>36,949</u>	<u>(17,459)</u>
<b>Net cash (used in)/generated from investing activities</b>	<u>(1,793)</u>	<u>23,209</u>	<u>(33,593)</u>	<u>2,977</u>
<b>Net cash (used in)/generated from financing activities</b>	<u>(16,946)</u>	<u>(14,424)</u>	<u>50,651</u>	<u>5,661</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	4,343	(31,108)	54,007	(8,821)
Cash and cash equivalents at beginning of the year	<u>69,835</u>	<u>74,178</u>	<u>43,070</u>	<u>97,077</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>74,178</u></u>	<u><u>43,070</u></u>	<u><u>97,077</u></u>	<u><u>88,256</u></u>

### Net cash generated from/(used in) operating activities

Net cash generated from operating activities represent cash generated from operations plus interest received and minus income tax paid. Cash generated from operations primarily reflects (i) our profit or loss before tax adjusted for non-cash and non-operating items, such as depreciation and amortisation, and (ii) the effects of changes in our working capital.

We recorded net cash used in operating activities of RMB39.9 million and RMB17.5 million in 2019 and for the year ended 31 December 2021, respectively, as compared to net cash generated from operating activities of RMB23.1 million in 2018 and RMB36.9 million in 2020. The negative cash flow from operating activities for the year ended 31 December 2019 was primarily attributable to our trade receivables while the negative cash flow from operating activities for the year ended 31 December 2021 was primarily attributable to decrease in trade and other payables and increase in trade, bill and other receivables and prepayments. We also enhance our cash flow position through continuous efforts to collect payments and receivables, accelerate delivery of our solutions and relevant prescribed services.

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For the year ended 31 December 2021, net cash used in operating activities was RMB17.5 million, which was primarily attributable to our profit before income tax of RMB12.5 million, as adjusted by (i) non-cash items, which primarily comprised depreciation of property, plant and equipment of RMB1.9 million and right-of-use assets of RMB9.8 million, amortisation of intangible assets of RMB1.8 million and net impairment losses on financial assets of RMB5.4 million, and (ii) changes in working capital, which primarily comprised of (a) a decrease in trade and other payables of RMB74.3 million primarily due to a decrease in trade payables as we settled some trade payables in 2021, and (b) an increase in trade, bill and other receivables and prepayments of RMB22.9 million, primarily because (i) we made large amount of prepayment to suppliers due to attractive prepayment offers provided by suppliers in 2021, and (ii) our trade receivables increased in line with our business expansion.

For 2020, net cash generated from operating activities was RMB36.9 million, which was primarily attributable to our profit before income tax of RMB27.4 million, as adjusted by (i) non-cash items, which primarily comprised of depreciation of property, plant and equipment of RMB1.9 million and right-of-use assets of RMB8.5 million, net impairment losses on financial assets of RMB4.3 million, net finance costs of RMB2.3 million and amortisation of intangible assets of RMB2.0 million, and (ii) changes in working capital, which primarily comprised of (a) an increase in trade, bill and other receivables and prepayments of RMB63.0 million, primarily due to an increase in trade receivables mainly attributable to our growth in credit sales in line with our business expansion and (b) an increase in trade and other payables of RMB48.7 million primarily due to the increase in telecommunication expenses payable mainly attributable to our increased procurement in line with our business expansion in 2020.

For 2019, net cash used in operating activities was RMB39.9 million, which was primarily attributable to our profit before income tax of RMB10.6 million, as adjusted by (i) non-cash items, which primarily comprised of depreciation of property, plant and equipment of RMB2.0 million and right-of-use assets of RMB9.2 million, net impairment losses on financial assets of RMB2.9 million, net finance costs of RMB1.4 million and amortisation of intangible assets of RMB1.6 million, and (ii) changes in working capital, which primarily comprised of (a) an increase in trade, bill and other receivables and prepayments of RMB73.8 million, primarily due to the an increase in trade receivables mainly attributable to our growth in credit sales in line with our business expansion and (b) an increase in trade and other payables of RMB5.4 million primarily due to the increase in procurement which was in line with our business growth in 2019.

For 2018, net cash generated from operating activities was RMB23.1 million, which was primarily attributable to our profit before income tax of RMB30.5 million, as adjusted by (i) non-cash items, which primarily comprised of depreciation of property, plant and equipment of RMB2.3 million and right-of-use assets of RMB8.2 million, net impairment losses on financial assets of RMB2.5 million, net fair value gains on investment in financial assets at fair value through profit or loss of RMB1.3 million, and amortisation of intangible assets of RMB1.2 million, and (ii) changes in working capital, which primarily comprised (a) an increase in trade, bill and other receivables and prepayments of RMB22.4 million, primarily due to an increase in trade receivables mainly attributable to our growth in credit sales in line with our business expansion and (b) an increase in contract fulfilment cost of RMB3.2 million, which was in line with our business expansion in 2018.

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To improve our net operating cash outflows position, we intend to adopt measures as follows:

- (1) to expedite the cycle of recovering trade receivables and to lift up the amount of prepayments payable by our clients. We have taken several steps to improve the collection rate including (i) established a legal department that could provide legal advice on a timely basis when there are long outstanding trade receivables or when dispute arises and (ii) formulated internal policies to strengthen management on contracts and provide guidance on relevant contractual terms;
- (2) to optimise our revenue structure by increasing the proportion of revenue derived from CRM SaaS services, which have relatively higher gross profit margin and thereby a lower proportion of cost, as we have been strategically focusing on CRM SaaS services and expanding our CRM SaaS client base during the Track Record Period; and
- (3) to obtain more prepayments from clients as we increase our sales in Sales Cloud solutions, given we generally charge prepayments from our Sales Cloud clients.

### **Net cash (used in)/generated from investing activities**

Our cash used in investing activities consists primarily of purchase of property, plant and equipment, purchase of intangible assets, acquisition of financial assets at fair value through profit or loss, acquisition of a subsidiary (net of cash and cash equivalents acquired). Our cash generated from investing activities consists primarily of proceeds from disposal of financial assets at fair value through profit or loss.

For the year ended 31 December 2021, net cash generated from investing activities was RMB3.0 million, which was primarily attributable to proceeds from disposal of financial assets at fair value through profit or loss of RMB173.4 million, and was partially offset by acquisition of financial assets at fair value through profit or loss of RMB163.5 million.

For 2020, net cash used in investing activities was RMB33.6 million, which was primarily attributable to acquisition of financial assets at fair value through profit or loss of RMB111.0 million, and was partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB81.3 million.

For 2019, net cash generated from investing activities was RMB23.2 million, which was primarily attributable to proceeds from disposal of financial assets at fair value through profit or loss of RMB41.5 million and was partially offset by acquisition of financial assets at fair value through profit or loss of RMB15.2 million.

For 2018, net cash used in investing activities was RMB1.8 million, which was primarily attributable to acquisition of financial assets at fair value through profit or loss of RMB50.0 million, acquisition of a subsidiary (net of cash and cash equivalents acquired)

## FINANCIAL INFORMATION

of RMB4.0 million, purchase of property, plant and equipment of RMB1.9 million, and was partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB55.8 million.

### **Net cash (used in)/generated from financing activities**

Our cash from financing activities consists primarily of capital contributions from shareholders, proceeds from borrowings and advances from related parties. Our cash used in financing activities consists primarily of repayments of borrowings, interest paid for borrowings, dividend paid to shareholders, principal elements and interest elements of lease payments, capital withdraw from shareholders, listing expenses paid as financing activities.

For the year ended 31 December 2021, net cash generated from our financing activities was RMB5.7 million, which was primarily attributable to proceeds from borrowings of RMB88.3 million, and was partially offset by repayments of borrowings of RMB69.2 million and principal elements and interest elements of lease payments of RMB10.8 million.

For 2020, net cash generated from our financing activities was RMB50.7 million, which was primarily attributable to proceeds from borrowings of RMB102.2 million and capital contributions from shareholders of RMB62.2 million, and was partially offset by repayment of borrowings of RMB102.9 million and principal elements and interest elements of lease payments of RMB8.7 million.

For 2019, net cash used in our financing activities was RMB14.4 million, which was primarily attributable to capital withdraw from shareholders of RMB31.4 million, repayment of borrowings of RMB20.0 million, dividends paid to shareholders of RMB10.2 million, and was partially offset by proceeds from borrowings of RMB59.9 million.

For 2018, net cash used in our financing activities was RMB16.9 million, which was primarily attributable to principal elements and interest elements of lease payments of RMB9.4 million and dividends paid to shareholders of RMB10.2 million, and was partially offset by advance from related parties of RMB2.6 million.

## **INDEBTEDNESS**

### **Borrowings**

For details of our borrowings, please refer to the paragraph headed “Discussion of certain key balance sheet items — Current Liabilities — Borrowings” in this section.

### **Lease liabilities**

For details of our lease liabilities, please refer to the paragraph headed “Discussion of certain key balance sheet items — Current Liabilities — Lease liabilities” in this section.

## FINANCIAL INFORMATION

### CONTINGENT LIABILITIES

As at 31 December 2018, 2019, 2020 and 2021 and 30 April 2022 we did not have any material contingent liabilities.

Except as discussed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as at 31 December 2021 and 30 April 2022.

### UNEARNED REVENUE FROM CLIENT CONTRACTS

During the Track Record Period, our unearned revenue from client contracts in relation to our SaaS services increased from RMB39.2 million as at 31 December 2018 to RMB57.3 million as at 31 December 2019, and to RMB61.6 million as at 31 December 2020 which was primarily due to our revenue growth and business expansion during the same period. Our unearned revenue decreased to RMB56.2 million as at 31 December 2021 which was primarily due to the acceleration in delivery in our solutions.

### CAPITAL EXPENDITURES

The following table sets forth our capital expenditures, primarily related to the cash paid for the purchase of property and equipment and intangible assets, for the periods indicated:

	For the year ended 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Purchase of property, plant and equipment	1,941	2,602	1,362	6,153
Purchase of intangible assets	1,713	455	2,570	803
Total	<u>3,654</u>	<u>3,057</u>	<u>3,932</u>	<u>6,956</u>

### CONTRACTUAL OBLIGATIONS

We did not have any material capital commitments or operating leases commitments as at 31 December 2018, 2019, 2020 and 31 December 2021.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we did not have any off-balance sheet commitments or arrangements.

## FINANCIAL INFORMATION

### RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into a number of related party transactions in relation to (i) key management compensation, (ii) other payable due to related parties which are non-trade in nature, unsecured, interest-free and repayable on demand, and (iii) financial guarantees provided by shareholders of our Company in respect of all bank borrowings. Save as the above related party transactions disclosed in Note 32 Related party transactions as set out in the Accountant's Report in Appendix I to this prospectus, we have not entered into any other transactions with our related parties.

For details about our related party transactions, please refer to Note 32 to the Accountant's Report set out in Appendix I to this prospectus.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's length basis, and they did not distort our results of operations or make our historical results non-exhaustive of our future performance.

### FINANCIAL RISK MANAGEMENT

The major financial risks arising from our Group's normal course of business include market risk, credit risk and liquidity risk. For details, please refer to Note 3 to the Accountant's Report set out in Appendix I to this prospectus.

### DIVIDENDS

We declared dividends of RMB20.4 million to our then shareholders in 2018 and settled the payment in 2018 and 2019. We did not declare any dividend during the remaining time of the Track Record Period. We do not currently have a pre-determined dividend payout ratio.

Subject to the Cayman Islands Companies Act, through a general meeting, we may declare dividends, but no dividend may be declared unless out of either profit or share premium account and no dividend shall exceed the amount recommended by our Board. Any declaration of dividends will be at the absolute discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Our Board may also from time to time pay interim dividends as our Board believes to be justified by the profits of our Company, as well as special dividends on shares of any class of such amounts and on such dates as it deems fit. We cannot guarantee in what form dividends will be paid in the future. In accordance with the Cayman Islands Companies Act and our Articles of Association, dividends may be declared and paid out of our profits and reserves lawfully available for distribution.

## FINANCIAL INFORMATION

As our Company is a holding company, our ability to declare and pay dividends will also depend on the availability of dividends received from our PRC subsidiaries. PRC laws require that dividends be paid only out of the net profit for the year calculated according to the PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including HKFRSs. PRC laws also require foreign invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

### WORKING CAPITAL CONFIRMATION

We had positive cash flows from operations of RMB23.1 million and RMB36.9 million, respectively for the year ended 31 December 2018 and 2020 and negative cash flows from operations of RMB39.9 million and RMB17.5 million, respectively for the year ended 31 December 2019 and the year ended 31 December 2021. Our Directors confirm that we had no material default in payment of trade and non-trade payables and borrowings during the Track Record Period.

Taking into account the financial resources available to us, including our cash and cash equivalents, our available banking facilities, and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present needs and for the next 12 months from the date of this prospectus.

### DISTRIBUTABLE RESERVES

As at 31 December 2021, our Company did not have any distributable reserves.

### LISTING EXPENSE

Based on the mid-point Offer Price of HK\$5.92 and assuming Over-allotment Option not exercised, the total estimated listing expenses in relation to the Global Offering is RMB39.9 million including estimated underwriting-related expenses of RMB15.3 million and non-underwriting-related expenses consisting of (i) estimated fees and expenses of legal advisor(s) and accountant(s) of RMB17.7 million, (ii) estimated other fees and expenses of RMB4.9 million and (iii) miscellaneous including estimated out of pocket expenses of RMB1.5 million, estimated roadshow expenses of RMB0.2 million, and estimated other professional fees of RMB0.3 million. During the Track Record Period, Listing expenses of RMB16.6 million were incurred of which RMB15.6 million were charged to our consolidated statements of comprehensive income and RMB1.0 million were recognised to our consolidated statements of financial position. We estimate that we will further incur listing expenses of RMB23.3 million of which RMB11.8 million will be charged to our consolidated statements of comprehensive income and RMB11.5 million, which mainly includes underwriting commission, is expected to be accounted for as a deduction from equity upon the completion of Capitalisation Issue and the Global Offering.



## **FINANCIAL INFORMATION**

### **UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS**

For details on unaudited pro forma statement of adjusted net tangible assets, please refer to the section headed “Unaudited Pro Forma Financial Information” set out in Appendix II to this prospectus.

### **NO MATERIAL ADVERSE CHANGE**

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 December 2021, which is the end date of the periods reported on in the Accountant’s Report included in Appendix I to this prospectus, and there is no event since 31 December 2021 that would materially affect the information as set out in the Accountant’s Report included in Appendix I to this prospectus.

### **DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES**

Our Directors confirm that, except as otherwise disclosed in this prospectus, as at the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

## FUTURE PLANS AND USE OF PROCEEDS

### FUTURE PLANS

Our mission is to empower enterprises to achieve customer-centric digital and intelligent transformation through our intelligent CRM services. Leveraging our cloud and multi-touch communication, AI and DI capabilities, we provide our clients with intelligent CRM services covering their all channels and entire business cycle and paving the way for their business. We intend to achieve this through our growth strategies. For details, please refer to the paragraph headed “Business — Our growth strategies” in this prospectus.

### USE OF PROCEEDS

The following table sets forth the estimate of net proceeds from the Global Offering which we are expected to receive after deduction of underwriting commissions and other estimated expenses which may be payable by us in connection with the Global Offering:

	<b>Assuming the Over-allotment Option is not exercised</b>	<b>Assuming the Over-allotment Option is exercised in full</b>
<i>(in millions of Hong Kong dollars)</i>		
Assuming an Offer Price of HK\$5.92 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)	173.9	202.4
Assuming an Offer Price of HK\$6.91 per Offer Share (being the high-end of the Offer Price range stated in this prospectus)	205.7	239.0
Assuming an Offer Price of HK\$4.93 per Offer Share (being the low-end of the Offer Price range stated in this prospectus)	142.1	165.8

We estimate that we will receive net proceeds of HK\$173.9 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering and assuming that the Over-allotment Option is not

## FUTURE PLANS AND USE OF PROCEEDS

exercised. In line with our strategies, we intend to use our proceeds from the Global Offering over the next three years for the purposes and in the amounts set forth below:

- 15%, or HK\$26.1 million, for improving our CRM PaaS services by enhancing our technology infrastructure and research and development capabilities on AI and DI, including:
  - (i) 8.0%, or HK\$14.1 million, for enhancing our leading aPaaS and cPaaS platforms, including recruiting more talents in the areas of structure design, algorithm research, big data, cloud native structure (雲原生架構), front-end development (前端開發), Microservices (微服務), etc. and acquiring more effective, secured and stable hardware and equipment;
  - (ii) 3.5%, or HK\$6.0 million, for developing innovative DI capacity, including recruiting more talents in the areas of big data structure, data analysis/modeling, machine learning and data intelligence;
  - (iii) 3.5%, or HK\$6.0 million, for fostering AI capacity, including recruiting more talents in the areas of computer vision, natural language processing, edge computing and algorithm engineering;

Our recruitment plan and requirements in relation to the CRM PaaS research and development staff are as follows:

Position	Annual Salary (RMB'000)	Total Costs (RMB'000)	Qualifications (Experience and Capability)
Intermediate Level	200-300	7,400-11,100	Majored in computer science or relevant fields, bachelor's degree or above, more than three years experience in software testing
Senior Level	300-400	34,500-46,000	Majored in computer science or relevant fields, bachelor's degree or above, three years or more experience
Expert	400 or above	31,600	Graduated from 211/985 universities with bachelor's degree majored in computer science/telecommunication/information engineering or relevant fields, more than three years experience

As a result of the above plans, we expect that our CRM PaaS services will be further enriched. In the short term, we expect our research and development expenses and capital expenditure to increase and have a downward pressure on our profit margin. In the long term, we believe such impact will be absorbed by our revenue growth and gross margin expansion, as such investment will allow us to improve our operational efficiency and deliver additional services to our clients.

## FUTURE PLANS AND USE OF PROCEEDS

- 40%, or HK\$69.5 million, for strengthening and extending our CRM SaaS services by continuous innovation, including:
  - (i) 15.5%, or HK\$27.0 million, for proving all-channel Marketing Cloud solutions to our clients through both public cloud, private cloud and hybrid cloud, improving automation and efficiency of our operation and delivering tailor-made and integrated services to our clients;
  - (ii) 17.5%, or HK\$30.4 million, for enhancing our Sales Cloud solutions (including but not limited to Smart Sales 100, U-Client 100 and AIoT) by recruiting more talents, upgrading our IT infrastructure and equipment and exploring new business opportunities;
  - (iii) 7.0%, or HK\$12.1 million, for reinforcing our Service Cloud solutions, including developing technical solutions such as voice and text robots, intelligent quality inspection, intelligent search engine, etc.;

Our recruitment plan and requirements in relation to the CRM SaaS research and development staff are as follows:

Position	Annual Salary (RMB'000)	Total Costs (RMB'000)	Qualifications (Experience and Capability)
Junior Level	200 or below	5,200	Majored in computer science or relevant fields, bachelor's degree or above, more than two years experience
Intermediate Level	200-300	29,800-44,700	Bachelor's degree or above, majored in computer science, software, telecommunication and relevant fields, more than three years experience
Senior Level	300-400	119,700-159,600	Bachelor's degree or above, preferably majored in computer science, software and relevant fields, more than three years experience in software testing
Expert	400 or above	68,000	Full-time bachelor's degree or above in relevant fields such as computer science, mathematics and statistics, three years or more working experience

As a result of the above plans, we expect that our CRM SaaS services portfolio will be further diversified. In the short term, we expect our research and development expenses and capital expenditure to increase and have a downward pressure on our profit margin. In the long term, we believe such impact will be absorbed by our revenue growth and gross margin expansion,

## FUTURE PLANS AND USE OF PROCEEDS

as such investment will allow us to develop and deliver additional and diversified services to our clients.

- 30%, or HK\$52.2 million, for investment in improving sales and marketing abilities, including:
  - (i) 15%, or HK\$26.1 million, for strengthening our brand in the financial, government and internet industries by reinforcing sales and client service abilities and implementing cost-reduction measures;
  - (ii) 3%, or HK\$5.2 million, for promoting our brand in the consumer, retail and healthcare industries and setting up a relevant industry research institute to exert our influence on the aforesaid industries; and
  - (iii) 12%, or HK\$20.9 million, for enlarging our sales team to increase sales channels and expanding our post-sales service team to enhance client satisfaction and our reputation in the intelligent CRM industry in the PRC;

For the above purposes, our recruitment plan and requirements are as follows:

Position	Annual Salary (RMB'000)	Total Costs (RMB'000)	Qualifications (Experience and Capability)
Sales Staff	250	75,000	Post-secondary degree or above in any major, more than two years sales experience in enterprise-level solutions or more than three years sales experience in B2B software industry
Sales Manager	350	3,500	Post-secondary degree or above in any major, more than five years sales experience in enterprise-level solutions
Business Development Manager	300-400	7,500-10,000	Post-secondary degree or above in any major, more than three years sales experience in enterprise-level solutions
Implementation Engineer	250	51,250	Bachelor's degree or above in any major, more than one year working experience in the areas of java/php/.net
Technical Support Staff	250	15,000	Bachelor's degree or above in any major, more than two years working experience in technical support in the IT industry

## FUTURE PLANS AND USE OF PROCEEDS

Position	Annual Salary (RMB'000)	Total Costs (RMB'000)	Qualifications (Experience and Capability)
Customer Success Manager	300	9,000	Bachelor's degree or above in any major, more than three years working experience in post-sales service experience for enterprise clients
Pre-sales Consultant	400	6,800	Bachelor's degree or above in any major, more than three years working experience in enterprise-level solutions and more than two years pre-sales consultant working experience
Project Manager	400	10,000	Bachelor's degree or above in any major, more than five years experience in project implementation, more than two years experience in IT industry project management and possession of PMP Certification
Marketing Staff and Specialist	250	7,500	Bachelor's degree or above in any major, more than three years experience in the IT industry and more than 2 years online/offline marketing experience
Channel Specialist and Manager	200-300	2,000-3,000	Bachelor's degree or above in any major, more than two years sale or pre-sales promotion experience in the area of channel, IT and information system
Business Procurement Manager	450	9,000	Post-secondary degree or above in any major, more than five years working experience in relation to the operators
Industry Expert	600	6,000	Master's degree or above from a top university and majored in enterprise management/business administration/computer science and relevant fields, more than 10 years marketing/supply chain management/operation management experience in FMCG (e.g. food and beverage) industry

## FUTURE PLANS AND USE OF PROCEEDS

As a result of the above plans, we expect that our sales team and post-sales service team will be expanded. In the short term, we expect our expenses to increase and have a downward pressure on our profit margin. In the long term, we believe such impact will be absorbed by our revenue growth and gross margin expansion, as such investment will allow us to penetrate into new industry verticals and enlarge our clients base.

- 10%, or HK\$17.4 million, for selectively pursuing strategic investments and acquisitions that we believe will allow us to expand and enrich our existing CRM SaaS services, strengthen our technologies and expand our client base.

The strategic partners and acquisition targets which we are looking for include: (a) one or two companies in the CRM SaaS industry with 10-50 staff and relatively strong research and development capability; and (b) one or two companies in the cloud and communication-based AI technologies sector with 10-50 staff.

The Board and the independent industry consultant Frost & Sullivan take the view that, there are a number of strategic partners and acquisition targets in the first and second tier cities in the PRC which meet the above criteria.

And, we will finance the shortfall with our operating profits if the net proceeds from the Global Offering are insufficient to cover the acquisition costs.

As at the Latest Practicable Date, we had not identified any strategic partnership or acquisition target; and

- 5%, or HK\$8.7 million, for working capital and general corporate use.

## FUTURE PLANS AND USE OF PROCEEDS

The table below sets forth the expected implementation timetable of our planned use of our proceeds:

	<b>Year Ending 31 December</b>			<b>Total</b>
	<b>2022</b>	<b>2023</b>	<b>2024</b>	
	<i>(HK\$ in millions)</i>			
<b>Improving CRM PaaS services</b>				
Enhancing aPaaS and cPaaS platforms	4.5	5.0	4.6	14.1
Developing DI capacity	2.1	2.1	1.8	6.0
Fostering AI capacity	2.1	2.1	1.8	6.0
<b>Strengthening CRM SaaS services</b>				
Providing all-channel Marketing Cloud solutions	8.2	8.9	9.9	27.0
Enhancing Sales Cloud solutions	7.3	11.3	11.8	30.4
Reinforcing Service Cloud solutions	3.7	3.7	4.7	12.1
<b>Improving sales and marketing abilities</b>				
Strengthening our brand in the financial, governmental and internet industries	6.3	9.4	10.4	26.1
Promoting our brand in the consumer, retail and healthcare industries and setting up a relevant industry research institute	1.0	1.7	2.5	5.2
Enlarging our sales team and post-sales service team	3.9	6.5	10.5	20.9
<b>Strategic investment and acquisitions</b>	7.0	7.0	3.4	17.4
<b>Working capital and general corporate use</b>	4.5	3.5	0.7	8.7
<b>Total</b>	50.6	61.2	62.1	173.9



## FUTURE PLANS AND USE OF PROCEEDS

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range.

To the extent our net proceeds are either more or less than expected, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, we will deposit the net proceeds into short-term demand deposits with banks or authorised financial institutions in Hong Kong or the PRC. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

If the Over-allotment Option is fully exercised, our Company will receive additional net proceeds of HK\$28.5 million for 5,158,500 Shares to be allotted and issued upon the full exercise of the Over-allotment Option based on the Offer Price of HK\$5.92 per Offer Share, being the mid-point of the Offer Price range, and after deducting the underwriting fees and commissions payable by our Company. The additional amount raised will be applied to the above areas of use of proceeds on a pro rata basis.

## **THE CORNERSTONE PLACING**

We have entered into a cornerstone investment agreement (“**Cornerstone Investment Agreement**”) with the cornerstone investor set out below (“**Cornerstone Investor**”), pursuant to which the Cornerstone Investor has agreed to, subject to certain conditions, subscribe at the Offer Price for a certain number of Offer Shares that may be purchased for an amount of US\$3.0 million (approximately HK\$23.4 million) (calculated based on the conversion rate of US\$1.00 to HK\$7.8004) (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$4.93, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investor would be 4,746,500 Offer Shares, representing 13.8% of the Offer Shares offered pursuant to the Global Offering (assuming that the Over-allotment Option is not exercised) and 0.8% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK\$5.92, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investor would be 3,952,500 Offer Shares, representing 11.5% of the Offer Shares offered pursuant to the Global Offering (assuming that the Over-allotment Option is not exercised) and 0.7% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK\$6.91, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investor would be 3,386,500 Offer Shares, representing 9.8% of the Offer Shares offered pursuant to the Global Offering (assuming that the Over-allotment Option is not exercised) and 0.6% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Our Company is of the view that, leveraging on the Cornerstone Investor’s investment experience, the Cornerstone Placing will help to raise the profile of our Company and to signify that such investors have confidence in our business and prospect. Our Company became acquainted with Colorful Cloud Holdings Limited (“**Colorful Cloud**”) through its business contact. Colorful Cloud has no business relationship with our Group or our connected person (as defined in the Listing Rules) save for the Cornerstone Placing.

Save as disclosed above and to the best knowledge of our Company, (i) the Cornerstone Investor is an Independent Third Party and is not our connected person (as defined in the Listing Rules); (ii) the Cornerstone Investor is not accustomed to taking instructions from our Company, the Directors, chief executive, Controlling Shareholders, substantial shareholders, existing Shareholders or any of their respective subsidiaries or their respective close associates; and (iii) the subscription of the relevant Offer Shares by the Cornerstone Investor is not financed by our Company, the Directors, chief executive, Controlling Shareholder, substantial shareholders, existing Shareholders or any of its respective subsidiaries or its respective close associates.

## CORNERSTONE INVESTOR

The Cornerstone Placing will form part of the International Offering and the Cornerstone Investor will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreement). The Offer Shares to be subscribed by the Cornerstone Investor will rank *pari passu* in all respect with the fully paid Shares in issue and will count towards the public float of our Company under Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, the Cornerstone Investor will not become a Substantial Shareholder of our Company, and the Cornerstone Investor will not have any Board representation in our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investor do not have any preferential rights in the Cornerstone Investment Agreement compared with other public Shareholders. As confirmed by the Cornerstone Investor, its subscription under the Cornerstone Placing would be financed by its own internal resources. There are no side arrangements between our Company and the Cornerstone Investor or any benefit, direct or indirect, conferred on the Cornerstone Investor by virtue of or in relation to the Cornerstone Placing, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price.

The total number of Offer Shares to be subscribed by the Cornerstone Investor may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the paragraph headed “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation and clawback” in this prospectus.

Details of the actual number of Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the allotment results announcement of our Company to be published on or around Thursday, 7 July 2022. There will be no delayed delivery or deferred settlement of Offer Shares to be subscribed by the Cornerstone Investor pursuant to the Cornerstone Investment Agreement. For details of the Over-allotment Option, please refer to the paragraph headed “Structure of the Global Offering — The International Offering — Over-allotment Option” in this prospectus.

## CORNERSTONE INVESTOR

### OUR CORNERSTONE INVESTOR

The Company has entered into the Cornerstone Investment Agreement with Colorful Cloud. Set out below in the aggregate number of Offer Shares, and the corresponding percentages to the Offer Shares and our Company's total issued share capital under the Cornerstone Placing:

		Based on an Offer Price of HK\$4.93 (being the low-end of the indicative Offer Price range)				
		Assuming the Over-allotment Option is not exercised			Assuming the Over-allotment Option is fully exercised	
		% of total issued share capital immediately following the completion of			% of total issued share capital immediately following the completion of	
	Subscription amount (US\$ million)	Number of Offer Shares <i>(Note 1)</i>	% of total Offer Shares	the Global Offering	% of total Offer Shares	the Global Offering
Cornerstone Investor						
Colorful Cloud	3.0	4,746,500	13.8	0.8	12.0	0.8
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

		Based on an Offer Price of HK\$5.92 (being the mid-point of the indicative Offer Price range)				
		Assuming the Over-allotment Option is not exercised			Assuming the Over-allotment Option is fully exercised	
		% of total issued share capital immediately following the completion of			% of total issued share capital immediately following the completion of	
	Subscription amount (US\$ million)	Number of Offer Shares <i>(Note 1)</i>	% of total Offer Shares	the Global Offering	% of total Offer Shares	the Global Offering
Cornerstone Investor						
Colorful Cloud	3.0	3,952,500	11.5	0.7	10.0	0.7
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## CORNERSTONE INVESTOR

Based on an Offer Price of HK\$6.91 (being the high-end of the indicative Offer Price range)						
			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
			% of total issued share capital immediately following the completion of the Global Offering		% of total issued share capital immediately following the completion of the Global Offering	
Cornerstone Investor	Subscription amount (US\$ million)	Number of Offer Shares <i>(Note 1)</i>	% of total Offer Shares	% of total Offering	% of total Offer Shares	% of total Offering
Colorful Cloud	3.0	3,386,500	9.8	0.6	8.6	0.6

*Note:*

- (1) Subject to rounding down to nearest whole board lot of 500 Shares. Calculated based on the exchange rate as set out in the paragraph headed “Information about this prospectus and the Global Offering — Exchange rate conversion” in this prospectus.

The following information about the Cornerstone Investor was provided to our Company by the Cornerstone Investor in relation to the Cornerstone Placing.

### Colorful Cloud

Colorful Cloud, a company established under the laws of the British Virgin Islands, is dedicated to investing in various publicly offered funds and privately offered funds, and is wholly owned by Cheerful Moon Global Limited. Cheerful Moon Global Limited is held by ARK Trust (Hong Kong) Limited, the trustee of Pippala Trust. Pippala Trust is a family trust established by Madam Ma Xiuhui (“**Madam Ma**”) an Independent Third Party as the settlor, and the beneficiaries of which include Madam Ma and her family members. Madam Ma is an entrepreneur based in the PRC. ARK Trust (Hong Kong) Limited is registered as a trust company in Hong Kong and is a major service provider of family trusts and employee stock ownership plan trusts in the PRC.

### CLOSING CONDITIONS

The obligation of the Cornerstone Investor to subscribe for the Offer Shares under the Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (i) the Underwriting Agreements being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the Underwriting Agreements has been terminated;
- (ii) the Offer Price having been agreed according to the Underwriting Agreements and price determination agreement to be entered into among the parties thereto in connection with the Global Offering;

## CORNERSTONE INVESTOR

- (iii) the Listing Committee having granted the listing of, and permission to deal in, the Offer Shares (including the Investor Shares as well as other applicable waivers and approvals) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Offer Shares on the Stock Exchange;
- (iv) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (v) the respective representations, warranties, acknowledgements, undertakings and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are and will be accurate, true and complete in all material respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

### RESTRICTIONS ON THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed that it will not, whether directly or indirectly, at any time during the period of six months from and including the Listing Date (the “**Lock-up Period**”), dispose of any of the Offer Shares it has purchased pursuant to the Cornerstone Investment Agreement, save for transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

## UNDERWRITING

### HONG KONG UNDERWRITERS

CMB International Capital Limited  
Huatai Financial Holdings (Hong Kong) Limited  
CLSA Limited  
Guotai Junan Securities (Hong Kong) Limited  
Citrus Securities Limited  
Livermore Holdings Limited

### UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Representative (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 3,440,000 Hong Kong Offer Shares and the International Offering of initially 30,950,500 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed “Structure of the Global Offering” as well as to the Over-allotment Option (in the case of the International Offering).

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 3,440,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in our Shares in issue and to be offered as mentioned in this prospectus and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the due execution of the International Underwriting Agreement by the parties thereto on or before the Price Determination Date and the obligations of the International Underwriters thereunder having become and remaining unconditional in accordance with its terms and the International Underwriting Agreement not having been subsequently terminated in accordance with its terms, prior to 8:00 a.m. on the Listing Date.

## UNDERWRITING

### *Grounds for Termination*

If any of the events set out below occur at any time prior to 8:00 am on the Listing Date, the Representative (for itself and on behalf of the Hong Kong Underwriters) shall be entitled to terminate the Hong Kong Underwriting Agreement by written notice to our Company with immediate effect:

- (a) there has come to the notice of the Representative:
  - (i) that any statement contained in any of this prospectus, the **GREEN** Application Form and the formal notice and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Global Offering (including any supplement or amendments thereto) (collectively, the “**Relevant Documents**”) was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not, in the sole and absolute opinion of the Representative (for itself and on behalf of the other Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole; or
  - (ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute an omission therefrom; or
  - (iii) any breach of any of the obligations imposed or to be imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (in each case, other than on the part of any of the Underwriters); or
  - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the Warrantors pursuant to the Hong Kong Underwriting Agreement or under the International Underwriting Agreement; or
  - (v) any change or development involving a prospective adverse change in the assets, liabilities, general affairs, management, business prospects, shareholders’ equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of the Group; or
  - (vi) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the representations, warranties, agreements and undertakings; or



## UNDERWRITING

- (vii) the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) the Company withdraws any of the Relevant Documents or the Global Offering; or
- (ix) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Relevant Documents or to the issue of any of the Relevant Documents; or
- (x) that a petition or an order is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or
- (xi) an authority or a political body or organization in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of the Directors and senior management members of the Group as set out in the “Directors and Senior Management” section of the prospectus; or
- (xii) a portion of the orders in the bookbuilding process, which is considered by the Representative (for itself and on behalf of the other Hong Kong Underwriters) at its sole and absolute opinion to be material, at the time the International Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, and the Representative (for itself and on behalf of the other Hong Kong Underwriters), at its sole and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or
- (xiii) any loss or damage has been sustained by any member of the Group (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Representative (for itself and on behalf of the other Hong Kong Underwriters) at its sole and absolute opinion to be material; or

## UNDERWRITING

- (b) there shall develop, occur, exist or come into effect:
- (i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics or interruption or delay in transportation) which is substantially different from the circumstances on the date of the Hong Kong Underwriting Agreement; or
  - (ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets); or
  - (iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the NASDAQ Global Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Tokyo Stock Exchange; or
  - (iv) any new laws, rules, statutes, ordinances, regulations, legal codes, guidelines, opinions, notices, circulars, orders, judgments, decrees or rulings (“**Law**”), or any change or development involving a prospective change in existing Laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing Laws by any court or other competent authority, in each case, in or affecting any of Hong Kong, the PRC, the British Virgin Islands, the Cayman Islands, the United States, the United Kingdom, the European Union (or any member thereof) or any other jurisdictions relevant to any member of the Group or the Global Offering (the “**Specific Jurisdictions**”); or
  - (v) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or

## UNDERWRITING

- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or
  
- (vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in the Shares; or
  
- (viii) any change or development involving a prospective change in, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in the prospectus; or
  
- (ix) any litigation or claim of any third party being threatened or instigated against any member of the Group or any of the Controlling Shareholders or Directors; or
  
- (x) any of the Directors and senior management members of the Company as set out in the “Directors and Senior Management” section of the prospectus being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or
  
- (xi) the chairman or chief executive officer of the Company vacating his or her office; or
  
- (xii) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or
  
- (xiii) a contravention by any member of the Group or any Director of the Listing Rules, the Companies Ordinance or any other Laws applicable to the Global Offering; or
  
- (xiv) a prohibition on the Company for whatever reason from allotting, issuing or selling the Offer Shares and/or the Shares which the Company may be required to allot and issued at the Offer Price pursuant to the Over-allotment Option pursuant to the terms of the Global Offering; or

## UNDERWRITING

- (xv) non-compliance of the prospectus and the other Relevant Documents or any aspect of the Global Offering with the Listing Rules or any other Laws applicable to the Global Offering; or
- (xvi) the issue or requirement to issue by the Company of a supplement or amendment to the prospectus and/or any other Relevant Documents pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or SFC; or
- (xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity,

which in each case individually or in aggregate at the sole and absolute opinion of the Representative (for itself and on behalf of the other Hong Kong Underwriters):

- (1) has or is or will or is likely to have an adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or prospects or risks of the Company or the Group or any member of the Group or on any present or prospective shareholder of the Company in his, her or its capacity as such; or
- (2) has or will or is likely to have an adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or
- (3) makes or will make or is likely to make it inadvisable, inexpedient or impracticable for any part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented or proceeded with as envisaged or to market the Global Offering or shall otherwise result in an interruption to or delay thereof; or
- (4) has or will or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

## UNDERWRITING

### *Undertakings pursuant to the Hong Kong Underwriting Agreement*

#### *(A) Undertakings by our Company*

Except pursuant to the Global Offering (including pursuant to the Capitalisation Issue and the exercise of the Over-allotment Option) and otherwise pursuant to the Listing Rules, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), our Company hereby undertakes to each of the Representative, the Hong Kong Underwriters and the Sole Sponsor not to, and to procure each other member of the Group not to without the prior written consent of the Representative (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, assign, grant or sell any option, warrant, right or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise transfer or dispose of, or create an encumbrance over or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any Shares or other securities of our Company, or any interests in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares or other equity securities of our Company), or deposit any Shares or other equity securities of our Company or any shares or other securities of any other member of our Group, as applicable, with a depository in connection with the issue of depository receipts; or repurchase any Shares or other securities of our Company; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company); or
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or other equity securities of our Company, or, in cash or otherwise (whether or not the issue of such Shares or other

## UNDERWRITING

securities will be completed within the First Six-month Period). Our Company will not, and will procure each other the member of our Group not to, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that the Controlling Shareholder would cease to be a “controlling shareholder” (as defined in the Listing Rules) of the Company during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”). In the event that, during the Second Six-Month Period, our Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or announces, any intention to effect any such transactions, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company in a manner that violates the Listing Rules and/or the SFO.

Our Company has agreed and undertaken that it will not effect any purchase of Shares, or agree to do so, which may reduce the holdings of the Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below 25% on or before the date falling one year after the Listing Date without first having obtained the prior written consent of the Sole Sponsor and the Representative (for itself and on behalf of the Hong Kong Underwriters).

*(B) Undertakings by our Controlling Shareholders*

Each Controlling Shareholder jointly and severally undertakes to each of our Company, the Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor to procure that, without the prior written consent of the Sole Sponsor and the Representative (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) save as pursuant to the Capitalisation Issue, the Global Offering (including pursuant to the Over-allotment Option) and the Stock Borrowing Agreement, the Controlling Shareholders will not, at any time during the First Six-Month Period and will procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/him and the companies controlled by it/he (together, the “**Controlled Entities**”) shall not, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by it/him directly or indirectly through the Controlled Entities (the “**Relevant Securities**”), or deposit any Relevant Securities with a depositary in connection with the issue of depositary receipts, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the

## UNDERWRITING

economic consequences of ownership of any Relevant Securities, or (iii) enter into any transaction with the same economic effect as any of the transactions specified in (a)(i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any of the transactions specified in (a)(i), (ii) or (iii) above, in each case, whether any of the transactions specified in (a)(i), (ii) or (iii) above is to be settled by delivery of Shares or any other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities of our Company will be completed within the First Six-Month Period);

- (b) at any time during the Second Six-Month Period, the Controlling Shareholders will not and shall procure that the Controlled Entities will not, enter into any of the transactions specified in paragraphs (a)(i), (a)(ii), (a)(iii) or (a)(iv) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it/he would cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be the “controlling shareholders” (as defined in the Listing Rules) of our Company;
- (c) in the event that the Controlling Shareholder enters into any of the transactions specified in (a)(i) or (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Six-Month Period, it/he shall take all reasonable steps to ensure that it/he will not create a disorderly or false market for any Shares or other securities of the Company;
- (d) it/he shall, and shall procure that the relevant registered holder(s) and other Controlled Entities shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it/he or by the registered holder(s) and/or other Controlled Entities of any Shares or other securities of the Company;
- (e) during the period from the date of this prospectus and ending on the date which is 12 months from the Listing Date, it/he will:
  - (i) when it/he pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company, the Sole Sponsor and the Representative in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and
  - (ii) when it/he receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sole Sponsor and the Representative in writing of such indications.

## UNDERWRITING

### *Undertakings to the Stock Exchange pursuant to the Listing Rules*

#### *(A) Undertakings by our Company*

We have undertaken to the Hong Kong Stock Exchange that, except in certain circumstances prescribed by Rule 10.08 of the Hong Kong Listing Rules or pursuant to the Global Offering and the Capitalisation Issue and Over-allotment Option, no further shares or securities convertible into shares of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the date on which our Shares first commence dealing on the Hong Kong Stock Exchange (whether or not such issue of shares or securities will be completed within six months from the commencement of dealing).

#### *(B) Undertakings by our Controlling Shareholders*

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange, except pursuant to the Stock Borrowing Agreement, that he/it will not, and shall procure that any other registered holder(s) (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the “**Relevant First Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the “**Parent Shares**”); or
- (b) during the period of six months commencing on the date on which the Relevant First Six-month Period expires (the “**Relevant Second Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Parent Shares to such options, rights, interests or encumbrances, he/it would cease to be our controlling shareholder (as defined in the Listing Rules).

Further, pursuant to Note (3) of Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that, during the Relevant First Six-month Period and the Relevant Second Six-month Period, he/it will:

- (a) if he/it pledges or charges any of our securities beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately informs us of such pledge or charge together with the number of securities so pledged or charged; and
- (b) if he/it receives indications, either verbal or written, from the pledgee or chargee that any of his/its pledged or charged securities will be disposed of, immediately inform us of such indications.



## UNDERWRITING

We will also inform the Stock Exchange as soon as we have been informed of the above matters, if any, by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

### *Hong Kong Underwriters' interests in our Company*

Save for its obligations under the Hong Kong Underwriting Agreement, as at the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of our Group or had any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or purchase, or nominate persons to subscribe for or purchase, any Shares or any securities in our Company or any member of our Group.

Following completion of the Capitalisation Issue and the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

### **International Offering**

#### *International Underwriting Agreement*

In connection with the International Offering, our Company expects to enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to purchase, or procure subscribers to purchase, the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. For details, please refer to the paragraph headed "Structure of the Global Offering — The International Offering" in this prospectus.

#### *Over-allotment Option*

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Representative on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, we may be required to allot and issue up to an aggregate of 5,158,500 Shares, representing not more than 15% of the maximum number of Offer Shares initially available under the Global Offering at the Offer Price to, cover over-allocations (if any) in the International Offering. For details, please refer to the paragraph headed "Structure of the Global Offering — The International Offering — Over-allotment Option" in this prospectus.

## UNDERWRITING

### *Commissions and Expenses*

Our Company will pay to the Representative (for itself and on behalf of the other Underwriters) an underwriting commission at the rate of 3.5% of the aggregate Offer Price in respect of all Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which the Underwriters will pay sub-underwriting commissions and other fees.

In addition, our Company may, at its discretion, pay to the Representative (for itself and on behalf of the other Underwriters) an additional incentive fee based on the aggregate Offer Price in respect of all Hong Kong Offer Shares under the Hong Kong Public Offering.

The sponsor's fees payable to the Sponsor are HK\$5.4 million in aggregate.

The aggregate of the underwriting commission, the discretionary fee and the estimated expenses, together with the listing fee, the SFC transaction levy, the FRC transaction levy, the Stock Exchange trading fee, the brokerage fee, the legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to be about HK\$48.8 million (on the assumption that the Over-allotment Option is not exercised and based on an Offer Price of the mid-point of the Offer Price Range) and will be paid by us.

### **Indemnity**

Each of our Company and our Controlling Shareholders has agreed to indemnify the Sole Sponsor, the Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses that they may suffer, including certain losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company and/or any of our Controlling Shareholders of the Hong Kong Underwriting Agreement.

### **Independence of the Sole Sponsor**

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

### **ACTIVITIES BY SYNDICATE MEMBERS**

The Underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In

## UNDERWRITING

relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in “Structure of the Global Offering”. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

## STRUCTURE OF THE GLOBAL OFFERING

### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

34,390,500 Offer Shares will initially be made available under the Global Offering, comprising:

- (a) the Hong Kong Public Offering of initially 3,440,000 Shares (subject to reallocation) in Hong Kong, please refer to the paragraph headed “The Hong Kong Public Offering” in this section below; and
- (b) the International Offering of an aggregate of initially 30,950,500 Shares (subject to reallocation and the Over-allotment Option) outside the United States in offshore transactions in reliance on Regulation S, please refer to the paragraph headed “The International Offering” in this section below.

Investors may either:

- (a) apply for Offer Shares under the Hong Kong Public Offering; or
- (b) apply for or indicate an interest for Offer Shares under the International Offering,

but may not do both.

The Offer Shares will represent approximately 6.14% of the total Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 6.99% of the total Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering and the exercise of the Over-allotment Option.

### THE HONG KONG PUBLIC OFFERING

#### Number of Offer Shares initially offered

The Company is initially offering 3,440,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.0% of the total number of Offer Shares initially available under the Global Offering. The number of Shares offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 0.61% of the total Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering.

## STRUCTURE OF THE GLOBAL OFFERING

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions. For details, please refer to the paragraph headed “Conditions of the Global Offering” in this section below.

### **Allocation**

Allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of the Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools, pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy, FRC transaction levy and Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy, FRC transaction levy and Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for the Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 1,720,000 Hong Kong Offer Shares being 50% of the 3,440,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering are liable to be rejected.

### **Reallocation and clawback**

The allocation of the Offers Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to put in place which would have the effect

## STRUCTURE OF THE GLOBAL OFFERING

of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached (“**Mandatory Reallocation**”):

- (a) 3,440,000 Offer Shares available in the Hong Kong Public Offering, representing approximately 10% of the Offer Shares initially available under the Global Offering;
- (b) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering such that the total number of Offer Shares initially available under the Hong Kong Public Offering will be 10,317,500 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;
- (c) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering such that the total number of Offer Shares initially available under the Hong Kong Public Offering will be 13,756,500 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering; and
- (d) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering such that the total number of Offer Shares initially available under the Hong Kong Public Offering will be 17,195,500 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Representative deems appropriate. In addition, the Representative may reallocate the Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

In addition to any Mandatory Reallocation which may be required, the Representative (for itself and on behalf of the Underwriters) may, at its discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering. In accordance with the Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, in the event that (i) the International Offer Shares are undersubscribed

## STRUCTURE OF THE GLOBAL OFFERING

and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering provided that the Offer Price would be fixed at the low end of the indicative Offer Price range (i.e. HK\$4.93 per Offer Share), up to 3,440,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 6,880,000 Offer Shares, representing approximately 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Representative.

### **Applications**

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$6.91 per Offer Share in addition to the brokerage, SFC transaction levy, FRC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner referred to in the paragraph headed "Pricing" in this section below, is less than the maximum Offer Price of HK\$6.91 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, FRC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For details, please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, **GREEN** Application Form, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

## STRUCTURE OF THE GLOBAL OFFERING

### THE INTERNATIONAL OFFERING

#### Number of Offer Shares initially offered

Subject to reallocation as described above, the International Offering will consist of an offering of initially 30,950,500 Shares, representing approximately 90.0% of the total number of Offer Shares initially available under the Global Offering and approximately 5.52% of the total Shares in issue immediately after the completion of the Capitalisation Issue and the Global Offering.

#### Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States only in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process referred to in the paragraph headed “Pricing” in this section below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the Listing. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole.

The Representative (on behalf of the Underwriters) may require any investor who has been offered the Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Representative so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

#### Reallocation and clawback

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of, amongst others, the clawback arrangement referred to in the paragraph headed “The Hong Kong Public Offering — Reallocation and clawback” in this section above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering to the International Offering.



## STRUCTURE OF THE GLOBAL OFFERING

### Over-allotment Option

In connection with the Global Offering, the Company is expected to grant an Over-allotment Option to the International Underwriters exercisable by the Representative on behalf of the International Underwriters at any time from the Listing Date to Saturday, 30 July 2022, being the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Representative (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 5,158,500 additional Shares, representing approximately 15.0% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 0.91% of the total Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

### STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, a decline in the market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong (such as the Securities and Futures (Price Stabilizing) Rules). In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilising transactions with a view to stabilising or maintaining the market price of the Shares for a limited period after the Listing Date at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilising Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilising Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Shares or purchasing Shares in the open market. In determining the source of the Shares to close out the covered short position, the Stabilising Manager will consider, among others, the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilising transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of the Shares may be effected on any stock exchange, including the Stock

## STRUCTURE OF THE GLOBAL OFFERING

Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising action, which if taken, (a) will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it, (b) may be discontinued at any time, and (c) is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Shares that may be over-allocated will not exceed the number of the Shares that may be sold and transferred pursuant to the exercise of the Over-allotment Option, 5,158,500 additional Offer Shares, which is approximately 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilising activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilising actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

- (a) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares;
- (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any deduction in the market price of the Shares;
- (c) subscribing, or agreeing to subscribe, for the Shares to be sold and transferred pursuant to the exercise of the Over-allotment Option in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares;
- (e) selling or agreeing to sell any Shares to liquidate any position established as a result of those purchases; and
- (f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilising actions by the Stabilising Manager, its affiliates or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation.

Prospective applications for investors in the Offer Shares should note that:

- (a) as a result of effecting transactions to stabilise or maintain the market price of the Shares, the Stabilising Manager, its affiliates or any person acting for it, may maintain a long position in the Shares;
- (b) the size of the long position, and the period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain the long position is at the discretion of the Stabilising Manager and is uncertain;

## STRUCTURE OF THE GLOBAL OFFERING

- (c) liquidation of any such long position by the Stabilising Manager, its affiliates or any person acting for it and selling in the open market may lead to a decline in the market price of the Shares;
- (d) no stabilising action can be taken to support the price of the Shares for longer than the stabilising period, which begins on the Listing Date, and is expected to expire on Saturday, 30 July 2022, being the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and their market price, could fall after the end of the stabilising period. These activities by the Stabilising Manager, its affiliates or any person acting for it may stabilise, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market;
- (e) any stabilising action taken by the Stabilising Manager, its affiliates, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilising period; and
- (f) stabilising bids or transactions effected in the course of the stabilising action may be made at a price at or below the Offer Price and therefore at or below the price paid by applicants for, or investors in, the Offer Shares.

An announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period.

### **Stock Borrowing Arrangement**

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to borrow up to 5,158,500 Shares (being the maximum number of Shares which may be allotted and issued by the Company upon exercise of the Over-allotment Option) from Zhenghao Global pursuant to the Stock Borrowing Agreement.

The Stabilising Manager may borrow from Zhenghao Global on conditions including:

- (a) the stock borrowing will only be effected for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- (b) the maximum number of Shares to be borrowed from Zhenghao Global will be limited to the maximum number of Shares which may be issued and allotted upon exercise of the Over-allotment Option, which is limited to 5,158,500 Shares;
- (c) the same number of Shares borrowed from Zhenghao Global must be returned to it or its nominees (as the case may be) no later than the third Business Day following the earliest of (i) the last day on which the Over-allotment Option may be exercised; (ii) the date on which the Over-allotment Option is exercised in full and the Shares to be allotted and issued upon exercise of the Over-allotment Option have been allotted and issued; or (iii) such earlier time as may be agreed in writing between Zhenghao Global and the Stabilising Manager; and

## STRUCTURE OF THE GLOBAL OFFERING

- (d) no payments will be made to Zhenghao Global by the Stabilising Manager in relation to such stock borrowing arrangement.

The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set out in Rule 10.07(3) of the Listing Rules.

### PRICING

The International Underwriters will be soliciting from prospective investor indications of interest in acquiring International Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Thursday, 30 June 2022, and in any event on or before Wednesday, 6 July 2022, by agreement between the Representative (for itself and on behalf of the Underwriters) and the Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$6.91 per Share and is expected to be not less than HK\$4.93 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative price range stated in this prospectus.**

The Representative, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of the Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, 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 Hong Kong Public Offering, cause to be posted on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the website of the Company ([cloud.wxchina.com](http://cloud.wxchina.com)) (1) such supplemental offering documents as may be required by laws of any governmental authority to be published in such manner as the relevant laws or governmental authority may require as soon as practicable following the decision to make the change, and (2) notices of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Representative (for itself and on behalf of the Underwriters) and the Company, will be

## STRUCTURE OF THE GLOBAL OFFERING

fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction.

In the absence of any such notice so published, the number of Offer Shares will not be reduced and the Offer Price, if agreed upon with the Company and the Representative (for itself and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

**If the number of Offer Shares and/or the indicative Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.**

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Representative may at its discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Representative.

The Offer Price for Offer Shares under the Global Offering, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocation in the Hong Kong Public Offering are expected to be announced on Thursday, 7 July 2022 through a variety of channels in the manner described in “How to Apply for Hong Kong Offer Shares — 11. Publication of Results”.

### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (i) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and such approval not having been withdrawn;
- (ii) the Offer Price having been duly agreed among the Company and the Representative (for itself and on behalf of the Underwriters) on the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

## STRUCTURE OF THE GLOBAL OFFERING

- (iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

If, for any reason, the Offer Price is not agreed among the Company and the Representative (for itself and on behalf of the Underwriters) on or before Wednesday, 6 July 2022, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([cloud.wxchina.com](http://cloud.wxchina.com)) on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares”. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banker or other licenced bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Thursday, 7 July 2022 but will only become valid certificates of title at 8:00 a.m. on Friday, 8 July 2022 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as referred to in the paragraph headed “Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination” in this prospectus has not been exercised at or before that time.

### DEALING IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 8 July 2022, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 8 July 2022. The Shares will be traded in board lots of 500 Shares each and the stock code of the Shares will be 2392.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

**Our Company has adopted a fully electronic application process for the Hong Kong Public Offering. Our Company will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.**

This prospectus is available at the website of the Hong Kong Stock Exchange at <http://www.hkexnews.hk> under the “HKEXnews > New Listings > New Listing Information” section, and our Company’s website at [cloud.wxchina.com](http://cloud.wxchina.com). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. Our Company will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Company’s Hong Kong Share Registrar and **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited, at +852 2862 8600 on the following dates:

Friday, 24 June 2022	—	9:00 a.m. to 9:00 p.m.
Monday, 27 June 2022	—	9:00 a.m. to 9:00 p.m.
Tuesday, 28 June 2022	—	9:00 a.m. to 9:00 p.m.
Wednesday, 29 June 2022	—	9:00 a.m. to 9:00 p.m.
Thursday, 30 June 2022	—	9:00 a.m. to 12:00 noon

### APPLICATIONS FOR HONG KONG OFFER SHARES

#### 1. How to Apply

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- (1) apply online through the **White Form eIPO** service at [www.eipo.com.hk](http://www.eipo.com.hk); or

## HOW TO APPLY FOR HONG KONG OFFER SHARES

- (2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
  - (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
  - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Representative, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

## 2. Who Can Apply

### *Eligibility for the Application*

You can apply for the Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying:

- (1) are 18 years of age or older;
- (2) have a Hong Kong address;
- (3) are outside the United States, and are not a United States person (as defined in Regulation S under the U.S. Securities Act); and



## HOW TO APPLY FOR HONG KONG OFFER SHARES

If an application is made by a person duly authorised under a power of attorney, the Company and the Representative may accept it at their discretion and on any conditions if thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if:

- (a) you are an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- (b) you are a Director, chief executive officer or Supervisor of our Company and/or any of its subsidiaries;
- (c) you are a connected person (as defined in the Listing Rules) and/or a core connected person (as defined in the Listing Rules) of the Company or will become a connected person (as defined in the Listing Rules) and/or a core connected person (as defined in the Listing Rules) of the Company immediately upon completion of the Global Offering;
- (d) you are a close associate (as defined in the Listing Rules) of any of the above; or
- (e) you have been allocated or have applied for or indicated an interest in any Offer Shares under the International Offering.

### *Items Required for the Application*

If you apply for the Hong Kong Offer Shares online through the **White Form eIPO** service, you must:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your **broker or custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### 3. Terms and Conditions of an Application

By applying through the application channels specified in this prospectus, you:

- undertake to execute all relevant documents and instruct and authorise our Company and/or the Representative (or its agents or nominees), as their agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- agree to comply with our Company's Memorandum and Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Cayman Islands Companies Act;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus, and agree to be bound by them;
- confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;
- confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;
- agree that none of our Company, the Sole Sponsor, the Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering and the **White Form eIPO** Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
- agree to disclose to our Company, the Hong Kong Share Registrar, the receiving banks, the Sole Sponsor, the Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which any of them may require about you and the person(s) for whose benefit you have made the application;

## HOW TO APPLY FOR HONG KONG OFFER SHARES

- if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this prospectus;
- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong;
- represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person referred to in paragraph (h)(3) of Rule 902 of Regulation S;
- warrant that the information you have provided is true and accurate;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- authorise (i) our Company to place your name(s) or the name of HKSCC Nominees on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under our Company's Memorandum and Articles of Association and (ii) our Company and/or its agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria referred to in the paragraph headed "Personal collection" in this section to collect the Share certificate(s) and/or refund check(s) in person;
- declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- understand that our Company, our directors and the Representative will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

## HOW TO APPLY FOR HONG KONG OFFER SHARES

- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the **White Form eIPO** service or by any one as your agent or by any other person; and
- (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

#### 4. Minimum Application Amount and Permitted Numbers

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 500 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

Xuan Wu Cloud Technology Holdings Limited (Stock Code: 2392)  
(HK\$6.91 per Hong Kong Offer Share)

##### NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS

No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$
500	3,489.82	7,000	48,857.50	50,000	348,982.13	700,000	4,885,749.71
1,000	6,979.65	8,000	55,837.13	60,000	418,778.54	800,000	5,583,713.95
1,500	10,469.47	9,000	62,816.78	70,000	488,574.98	900,000	6,281,678.19
2,000	13,959.28	10,000	69,796.43	80,000	558,371.40	1,000,000	6,979,642.44
2,500	17,449.11	15,000	104,694.64	90,000	628,167.82	1,100,000	7,677,606.68
3,000	20,938.93	20,000	139,592.85	100,000	697,964.25	1,200,000	8,375,570.92
3,500	24,428.75	25,000	174,491.06	200,000	1,395,928.48	1,300,000	9,073,535.16
4,000	27,918.57	30,000	209,389.28	300,000	2,093,892.73	1,400,000	9,771,499.41
4,500	31,408.39	35,000	244,287.48	400,000	2,791,856.98	1,500,000	10,469,463.66
5,000	34,898.21	40,000	279,185.69	500,000	3,489,821.22	1,600,000	11,167,427.89
6,000	41,877.85	45,000	314,083.92	600,000	4,187,785.46	1,720,000 <sup>(1)</sup>	12,004,984.99

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### 5. Applying through the White Form eIPO Service

#### *General*

Individuals who meet the criteria referred to in the paragraph headed “Applications for Hong Kong Offer Shares — 2. Who can apply” in this section may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

If you have any questions on how to apply through the **White Form eIPO** service for the Hong Kong Offer Shares, please contact the telephone enquiry line of the Hong Kong Share Registrar at +852 2862 8600 on the following dates:

Friday, 24 June 2022	—	9:00 a.m. to 9:00 p.m.
Monday, 27 June 2022	—	9:00 a.m. to 9:00 p.m.
Tuesday, 28 June 2022	—	9:00 a.m. to 9:00 p.m.
Wednesday, 29 June 2022	—	9:00 a.m. to 9:00 p.m.
Thursday, 30 June 2022	—	9:00 a.m. to 12:00 noon

#### **Time for submitting applications under the White Form eIPO service**

You may submit your application to the **White Form eIPO** Service Provider at [www.eipo.com.hk](http://www.eipo.com.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 24 June 2022 until 11:30 a.m. on Thursday, 30 June 2022 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 30 June 2022 or such later time referred to in the paragraph headed “10. Effect of bad weather and/or Extreme Conditions on the opening of the application lists” in this section.

#### **No multiple applications**

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 42E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### **Commitment to sustainability**

The obvious advantage of the **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “Xuan Wu Cloud Technology Holdings Limited” **White Form eIPO** application submitted via the website [www.eipo.com.hk](http://www.eipo.com.hk) to support sustainability.

## **6. Applying through CCASS EIPO service**

### *General*

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System at <https://ip.ccass.com> (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
Customer Service Centre  
1/F, One & Two Exchange Square  
8 Connaught Place, Central, Hong Kong

and complete an input request form.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are not a CCASS Investor Participant, you may instruct your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Representative and our Hong Kong Share Registrar.

### *Applying through CCASS EIPO Service*

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and an application is made by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms of this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
  - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
  - confirm that you understand that the Company, the Directors and the Representative will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

## HOW TO APPLY FOR HONG KONG OFFER SHARES

- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Sole Sponsor, the Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving bank, the Sole Sponsor, the Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any



## HOW TO APPLY FOR HONG KONG OFFER SHARES

day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Cayman Islands Companies Act, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### *Effect of applying through CCASS EIPO service*

By applying through **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- **instructed** and **authorised** HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- **instructed** and **authorised** HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful

## HOW TO APPLY FOR HONG KONG OFFER SHARES

application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- **instructed and authorised** HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

### **Time for inputting Electronic Application instructions**

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

<b>Friday, 24 June 2022</b>	<b>— 9:00 a.m. to 8:30 p.m.</b>
<b>Monday, 27 June 2022</b>	<b>— 8:00 a.m. to 8:30 p.m.</b>
<b>Tuesday, 28 June 2022</b>	<b>— 8:00 a.m. to 8:30 p.m.</b>
<b>Wednesday, 29 June 2022</b>	<b>— 8:00 a.m. to 8:30 p.m.</b>
<b>Thursday, 30 June 2022</b>	<b>— 8:00 a.m. to 12:00 noon</b>

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Friday, 24 June 2022 until 12:00 noon on Thursday, 30 June 2022 (24 hours daily, except on Thursday, 30 June 2022, the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, 30 June 2022, the last application day or such later time as referred to in the paragraph headed in “10. Effect of bad weather and/or Extreme Conditions on the opening of the application lists” in this section.

### **Personal Data**

The following Personal Information Collection Statement applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through **CCASS eIPO** service or the **White Form eIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

#### *Personal information collection statement*

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of the Company and its Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### *Reasons for the collection of your personal data*

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to the Company or its agents and the Hong Kong Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of the Company or its Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform the Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

### *Purposes*

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check or e-Refund payment instruction, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Company's Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the Company's Register of Members;
- verifying identities of the holders of the Company's Shares;
- establishing benefit entitlements of holders of the Company's Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Company's Shares;
- disclosing relevant information to facilitate claims on entitlements; and

## HOW TO APPLY FOR HONG KONG OFFER SHARES

- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Share Registrar to discharge their obligations to holders of the Company's Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

### *Transfer of personal data*

Personal data held by the Company and its Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but the Company and its Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving banks and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Share Registrar in connection with their respective business operation;
- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

### *Retention of personal data*

The Company and its Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

### *Access to and correction of personal data*

Holders of the Hong Kong Offer Shares have the right to ascertain whether the Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the

## HOW TO APPLY FOR HONG KONG OFFER SHARES

Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company, at the Company's registered address referred to in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the secretary, or the Company's Hong Kong Share Registrar for the attention of the privacy compliance officer.

### 7. Warning for electronic applications

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Thursday, 30 June 2022, or such later time as referred to in "10. Effect of bad weather and/or Extreme Conditions on the opening of the application lists" in this section.

### 8. How many Applications can you make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the CCASS eIPO service (directly or indirectly through your broker or custodian) or through the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an electronic application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any electronic application instructions to

## HOW TO APPLY FOR HONG KONG OFFER SHARES

make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. How much are the Hong Kong Offer Shares

The maximum Offer Price is HK\$6.91 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.005%. This means that for one board lot of 500 Hong Kong Offer Shares, you will pay HK\$3,489.82.

You must pay the maximum Offer Price, brokerage, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee in full upon application for Hong Kong Offer Shares.

You may submit an application through the **White Form eIPO** service or the **CCASS EIPO** service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers. For details, please refer to the table in the paragraph headed “4. Minimum Application Amount and Permitted Numbers” in this section, or as otherwise specified or on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC and the FRC transaction levy will be paid to the FRC). For details on the Offer Price, please refer to the paragraph headed “Structure of the Global Offering — Pricing” in this prospectus.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### 10. Effect of bad weather and/or Extreme Conditions on the opening of the application lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning signal; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 30 June 2022. Instead, they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warning signals and/or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 30 June 2022 or if there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates referred to in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

### 11. Publication of results

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, 7 July 2022 on the Company’s website at [cloud.wxchina.com](http://cloud.wxchina.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at [cloud.wxchina.com](http://cloud.wxchina.com) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Thursday, 7 July 2022;
- the designated results of allocations website at [www.iporesults.com.hk](http://www.iporesults.com.hk) (alternatively English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 7 July 2022 to 12:00 midnight on Wednesday, 13 July 2022;
- from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from Thursday, 7 July 2022 to Tuesday, 12 July 2022 (excluding Saturday, Sunday and public holiday in Hong Kong);

## HOW TO APPLY FOR HONG KONG OFFER SHARES

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. For details, please refer to the section headed “Structure of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12. Circumstances in which you will not be Allotted Offer Shares

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

*(i) If your application is revoked:*

By applying through the **CCASS EIPO** service or the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person’s responsibility for this prospectus. If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked. If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

*(ii) If the Company or its agents exercise their discretion to reject your application:*

The Company, the Representative, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.



## HOW TO APPLY FOR HONG KONG OFFER SHARES

*(iii) If the allotment of Hong Kong Offer Shares is void:*

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

*(iv) If:*

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk);
- your payment is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Representative believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 1,720,000 Offer Shares, being 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

### **13. Refund of application monies**

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$6.91 per Offer Share (excluding brokerage, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the paragraph headed “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related

## HOW TO APPLY FOR HONG KONG OFFER SHARES

brokerage, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 7 July 2022.

### **14. Dispatch/collection of share certificates and refund monies**

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheque and Share certificates are expected to be posted on or before Thursday, 7 July 2022. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 8 July 2022 provided that the Global Offering has become unconditional and the right of termination referred to in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

#### **Personal Collection**

##### *(i) If you apply through the White Form eIPO service*

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 7 July 2022, or such other date as notified by us as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 7 July 2022 by ordinary post at your own risk.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

*(ii) If you apply through the CCASS EIPO service*

### Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

### Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 7 July 2022, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "11. Publication of Results" above on Thursday, 7 July 2022. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 7 July 2022 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 7 July 2022. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 7 July 2022.

### **15. Admission of the Shares into CCASS**

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or such other date as may be determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

*The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*



羅兵咸永道

## ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF XUAN WU CLOUD TECHNOLOGY HOLDINGS LIMITED AND CMB INTERNATIONAL CAPITAL LIMITED

### Introduction

We report on the historical financial information of Xuan Wu Cloud Technology Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-79, which comprises the consolidated statements of financial position as at 31 December 2018, 2019, 2020 and 2021, and the Company's statement of financial position as at 31 December 2021, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2018, 2019, 2020 and 2021 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-79 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 24 June 2022 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

### Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountant's responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's 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 accountant considers 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 presentation and preparation set out in Notes 1.3 and 2.1 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, 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 accountant's report, a true and fair view of the financial position of the Company as at 31 December 2021 and the consolidated financial position of the Group as at 31 December 2018, 2019, 2020 and 2021 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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-4 have been made.

*Dividends*

We refer to Note 29 to the Historical Financial Information which contains information about the dividends paid by the companies now comprising the Group and states that no dividends have been paid by Xuan Wu Cloud Technology Holdings Limited in respect of the Track Record Period.

*No statutory financial statements for the Company*

No statutory financial statements have been prepared for the Company since its date of incorporation.

**PricewaterhouseCoopers**  
Certified Public Accountants  
Hong Kong

24 June 2022

**I. 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 accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("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 stated.



## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December			
		2018	2019	2020	2021
		RMB'000	RMB'000	RMB'000	RMB'000
Revenue	6	518,835	600,201	796,762	991,941
Cost of sales	7	(333,334)	(403,507)	(602,969)	(759,549)
<b>Gross profit</b>		185,501	196,694	193,793	232,392
Selling and distribution expenses	7	(83,023)	(93,430)	(77,149)	(91,024)
Administrative expenses	7	(37,155)	(45,819)	(39,754)	(68,515)
Research and development expenses	7	(40,788)	(50,580)	(53,022)	(66,126)
Net impairment losses on financial assets	3.1.2	(2,464)	(2,888)	(4,342)	(5,370)
Other income	9	7,043	7,378	9,671	12,557
Other gains – net	10	1,318	601	466	393
<b>Operating profit</b>		30,432	11,956	29,663	14,307
Finance income	11	441	379	706	750
Finance costs	11	(328)	(1,754)	(3,011)	(2,577)
Finance income/(costs) – net	11	113	(1,375)	(2,305)	(1,827)
<b>Profit before income tax</b>		30,545	10,581	27,358	12,480
Income tax (expense)/credit	12	(741)	2,897	1,949	2,871
<b>Profit and total comprehensive income for the year</b>		<b>29,804</b>	<b>13,478</b>	<b>29,307</b>	<b>15,351</b>
<b>Profit/(loss) and total comprehensive income/(loss) for the year is attributable to:</b>					
– Owners of the Company		30,012	14,398	27,748	14,513
– Non-controlling interests		(208)	(920)	1,559	838
		<b>29,804</b>	<b>13,478</b>	<b>29,307</b>	<b>15,351</b>
<b>Earnings per share (expressed in RMB per share)</b>					
– Basic and diluted earning per share	13	0.571	0.274	0.528	0.276

*Note:* The earnings per share presented above has not taken into account the proposed capitalisation issue pursuant to the resolutions of the shareholders passed on 15 June 2022, because the proposed capitalisation issue has not become effective as at report date.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December			
		2018	2019	2020	2021
		RMB'000	RMB'000	RMB'000	RMB'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	14	5,011	5,660	4,952	8,374
Right-of-use assets	15	18,720	13,498	7,435	31,953
Intangible assets	16	15,659	14,537	15,107	14,113
Deferred income tax assets	28	701	3,613	5,577	8,464
Prepayments	20	481	535	565	336
		<u>40,572</u>	<u>37,843</u>	<u>33,636</u>	<u>63,240</u>
<b>Current assets</b>					
Contract fulfilment costs	18	4,075	7,787	7,624	5,587
Contract assets	6	15	120	361	95
Financial assets at fair value through profit or loss	19	25,667	–	30,200	21,476
Trade, bill and other receivables and prepayments	20	169,609	240,567	299,303	369,312
Restricted cash	21	95	9	38	1
Cash and cash equivalents	22	74,178	43,070	97,077	88,256
		<u>273,639</u>	<u>291,553</u>	<u>434,603</u>	<u>484,727</u>
<b>Total assets</b>		<u><b>314,211</b></u>	<u><b>329,396</b></u>	<u><b>468,239</b></u>	<u><b>547,967</b></u>
<b>Equity</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	23	–	–	–	34
Share premium	23	–	–	–	269,292
Other reserves	24	211,856	181,441	245,769	(19,894)
(Accumulated losses)/retained earnings		<u>(14,121)</u>	<u>(517)</u>	<u>25,085</u>	<u>35,969</u>
		197,735	180,924	270,854	285,401
<b>Non-controlling interests</b>		<u>276</u>	<u>(644)</u>	<u>915</u>	<u>1,753</u>
<b>Total equity</b>		<u>198,011</u>	<u>180,280</u>	<u>271,769</u>	<u>287,154</u>

	Note	As at 31 December			
		2018	2019	2020	2021
		RMB'000	RMB'000	RMB'000	RMB'000
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Lease liabilities	27	11,601	6,191	269	24,236
Deferred income tax liabilities	28	138	150	113	32
		<u>11,739</u>	<u>6,341</u>	<u>382</u>	<u>24,268</u>
<b>Current liabilities</b>					
Borrowings	25	–	39,935	39,512	58,480
Contract liabilities	6	24,282	29,278	34,021	31,924
Trade and other payables	26	73,780	66,352	115,071	138,375
Lease liabilities	27	6,308	7,129	7,391	7,644
Current income tax liabilities		91	81	93	122
		<u>104,461</u>	<u>142,775</u>	<u>196,088</u>	<u>236,545</u>
<b>Total liabilities</b>		<u>116,200</u>	<u>149,116</u>	<u>196,470</u>	<u>260,813</u>
<b>Total equity and liabilities</b>		<u>314,211</u>	<u>329,396</u>	<u>468,239</u>	<u>547,967</u>

## STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	As at 31 December <u>2021</u> RMB'000
<b>Assets</b>		
<b>Non-current assets</b>		
Investment in a subsidiary ( <i>Note (a)</i> )		<u>269,292</u>
<b>Current assets</b>		
Prepayments	20	956
Cash and cash equivalents		<u>38</u>
<b>Total assets</b>		<b><u><u>270,286</u></u></b>
<b>Equity</b>		
Share capital	23	34
Share premium	23	269,292
Accumulated losses		<u>(16,478)</u>
<b>Total equity</b>		<u>252,848</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Other payables	26	<u>17,438</u>
<b>Total liabilities</b>		<u>17,438</u>
<b>Total equity and liabilities</b>		<b><u><u>270,286</u></u></b>

(a) Investment in a subsidiary represents the investment in Xuan Wu Cloud (BVI) Limited and its subsidiaries at the aggregate net asset values of the Listing Business (as defined in Note 1.1) at date of completion of the Reorganisation (as defined in Note 1.2).

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital	Share premium	Other reserves	(Accumulated losses)/ retained earnings	Total	Non- controlling interests	Total equity
RMB'000 (Note 23)	RMB'000 (Note 23)	RMB'000 (Note 24)	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2018	-	-	205,116	(23,619)	181,497	-	181,497
<b>Comprehensive income/(loss)</b>							
Profit/(loss) for the year	-	-	-	30,012	30,012	(208)	29,804
<b>Transactions with owners of the Company</b>							
Appropriation of statutory reserves	-	-	121	(121)	-	-	-
Capital contribution from owners (Note 32)	-	-	6,619	-	6,619	-	6,619
Dividend to owners of a subsidiary (Note 29)	-	-	-	(20,393)	(20,393)	-	(20,393)
Acquisition of a subsidiary	-	-	-	-	-	484	484
<b>Balance at 31 December 2018</b>	<b>-</b>	<b>-</b>	<b>211,856</b>	<b>(14,121)</b>	<b>197,735</b>	<b>276</b>	<b>198,011</b>
Balance at 1 January 2019	-	-	211,856	(14,121)	197,735	276	198,011
<b>Comprehensive income/(loss)</b>							
Profit/(loss) for the year	-	-	-	14,398	14,398	(920)	13,478
<b>Transactions with owners of the Company</b>							
Appropriation of statutory reserves	-	-	794	(794)	-	-	-
Capital contribution from owners	-	-	186	-	186	-	186
Capital withdrawal from owners	-	-	(31,395)	-	(31,395)	-	(31,395)
<b>Balance at 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>181,441</b>	<b>(517)</b>	<b>180,924</b>	<b>(644)</b>	<b>180,280</b>

	Attributable to owners of the Company						
	Share capital	Share premium	Other reserves	(Accumulated losses)/ retained earnings	Total	Non- controlling interests	Total equity
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Note 23)</i>	<i>(Note 23)</i>	<i>(Note 24)</i>				
Balance at 1 January 2020	-	-	181,441	(517)	180,924	(644)	180,280
<b>Comprehensive income</b>							
Profit for the year	-	-	-	27,748	27,748	1,559	29,307
<b>Transactions with owners of the Company</b>							
Appropriation of statutory reserves	-	-	2,146	(2,146)	-	-	-
Capital contribution from owners	-	-	62,182	-	62,182	-	62,182
<b>Balance at 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>245,769</b>	<b>25,085</b>	<b>270,854</b>	<b>915</b>	<b>271,769</b>

	Attributable to owners of the Company						Total equity
	Share capital	Share premium	Other reserves	(Accumulated losses)/ retained earnings	Total	Non-controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 23)	(Note 23)	(Note 24)				
Balance at 1 January 2021	-	-	245,769	25,085	270,854	915	271,769
<b>Comprehensive income</b>							
Profit for the year	-	-	-	14,513	14,513	838	15,351
<b>Transactions with owners of the Company</b>							
Appropriation of statutory reserves	-	-	3,629	(3,629)	-	-	-
Issue of ordinary shares to the owners of the Company	34	-	-	-	34	-	34
Completion of the Reorganisation	-	269,292	(269,292)	-	-	-	-
<b>Balance at 31 December 2021</b>	<b>34</b>	<b>269,292</b>	<b>(19,894)</b>	<b>35,969</b>	<b>285,401</b>	<b>1,753</b>	<b>287,154</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December			
		2018	2019	2020	2021
		RMB'000	RMB'000	RMB'000	RMB'000
<b>Cash flows from operating activities</b>					
Cash generated from/(used in) operations	30(a)	25,467	(40,171)	36,255	(18,110)
Interest received		441	379	706	750
Income tax paid		(2,826)	(101)	(12)	(99)
<b>Net cash generated from/(used in) operating activities</b>		<b>23,082</b>	<b>(39,893)</b>	<b>36,949</b>	<b>(17,459)</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(1,941)	(2,602)	(1,362)	(6,153)
Purchase of intangible assets		(1,713)	(455)	(2,570)	(803)
Acquisition of financial assets at fair value through profit or loss		(50,000)	(15,200)	(111,000)	(163,500)
Proceeds from disposal of financial assets at fair value through profit or loss		55,828	41,466	81,339	173,433
Acquisition of a subsidiary (net of cash and cash equivalents acquired)	32	(3,967)	-	-	-
<b>Net cash (used in)/generated from investing activities</b>		<b>(1,793)</b>	<b>23,209</b>	<b>(33,593)</b>	<b>2,977</b>
<b>Cash flows from financing activities</b>					
Advances from related parties	30(b)	2,580	-	5	125
Repayment to related parties	30(b)	-	(2,580)	-	(130)
Dividends paid to owners	30(b)	(10,174)	(10,219)	-	-
Principal elements and interest elements of lease payments	30(b)	(9,352)	(9,491)	(8,659)	(10,775)
Proceeds from borrowings	30(b)	-	59,890	102,240	88,258
Repayments of borrowings	30(b)	-	(20,000)	(102,890)	(69,240)
Interest paid for borrowings	30(b)	-	(815)	(2,227)	(1,993)
Capital contributions from owners	24	-	186	62,182	-
Capital withdrawal from owners	24	-	(31,395)	-	-
Listing expenses paid		-	-	-	(584)
<b>Net cash (used in)/generated from financing activities</b>		<b>(16,946)</b>	<b>(14,424)</b>	<b>50,651</b>	<b>5,661</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4,343</b>	<b>(31,108)</b>	<b>54,007</b>	<b>(8,821)</b>
Cash and cash equivalents at beginning of the year		69,835	74,178	43,070	97,077
<b>Cash and cash equivalents at the end of the year</b>		<b>74,178</b>	<b>43,070</b>	<b>97,077</b>	<b>88,256</b>



## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

#### 1.1 General information

The Company was incorporated in the Cayman Islands on 26 April 2021 as an exempted company with limited liability under the Companies Act (As Revised) of the Cayman Islands. The address of the Company's registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") are principally engaged in the provision of intelligent customer relationship management ("CRM") services (the "Listing Business") in the People's Republic of China (the "PRC"). The ultimate controlling shareholders of the Listing Business are Mr. Chen Yonghui ("Mr. Chen"), Mr. Huang Fangjie ("Mr. Huang") and Mr. Li Hairong ("Mr. Li") (the "Controlling Shareholders"), who entered into an agreement to acting in concert with each other. The ultimate holding companies of the Listing Business are Zhenghao Global Holding Limited ("Zhenghao Global"), Honghan Worldwide Limited ("Honghan Worldwide") and Double Winner Worldwide Limited ("Double Winner"). The three companies are respectively controlled by Mr. Chen, Mr. Huang and Mr. Li and are all incorporated in the British Virgin Islands.

#### 1.2 Reorganisation

Prior to incorporation of the Company and the completion of the reorganisation as described below (the "Reorganisation"), the Listing Business was mainly carried out by Guangzhou Xuan Wu Wireless Technology Co., Ltd. ("Xuan Wu"), a limited liability company established in the PRC, and its subsidiaries (the "PRC Operating Entities"). Before the completion of the Reorganisation, the PRC Operating Entities were ultimately held by and controlled by the Controlling Shareholders, who entered into an agreement to acting in concert with each other with respect to the PRC Operating Entities since 2015.

In preparation for the initial public offering and listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"), the Group underwent the Reorganisation to incorporate the Company as the holding company of the companies which now comprise the Group to conduct the Listing Business. The Reorganisation involved the following steps:

##### *(a) Incorporation of the Company and offshore shareholding restructuring*

On 26 April 2021, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. As at the date of incorporation, the authorised share capital of the Company was United States Dollar ("US\$") 50,000 divided into 500,000,000 ordinary shares of US\$0.0001 each, of which one share was issued and allotted to the initial subscriber. Upon incorporation, the issued one share was transferred to Zhenghao Global, the offshore company ultimately owned by Mr. Chen. At the same day, 999 shares were issued and allotted to Zhenghao Global.

To reflect the onshore shareholding structure of Xuan Wu, on 3 August 2021, the Company allotted and issued a total of 52,592,000 shares to the offshore holding companies that are ultimately owned by the original shareholders of Xuan Wu. The respective nominal subscription consideration does not reflect the investment cost of each of the shareholders in the Group. Upon completion of such allotment and issue, the shareholding structure of the Company was the same as Xuan Wu's, and the Company became ultimately controlled by the Controlling Shareholders.

(b) *Incorporation of an offshore subsidiary in the BVI*

Xuan Wu BVI was incorporated in the BVI with limited liability on 28 May 2021 as the intermediate holding company of the Group in the BVI. On the date of incorporation, 50,000 ordinary shares of Xuan Wu BVI was issued and allotted to the Company. Upon completion of such allotment and issue, Xuan Wu BVI became directly wholly-owned by the Company.

(c) *Incorporation of an offshore subsidiary in Hong Kong*

Xuan Wu Cloud HK Limited ("Xuan Wu HK") was incorporated in Hong Kong with a limited liability on 17 June 2021, as the intermediate holding company of the Group in Hong Kong. On the date of incorporation, 10,000 shares of Xuan Wu HK was issued and allotted to Xuan Wu BVI. Upon completion of such allotment and issue, Xuan Wu HK became directly wholly-owned by Xuan Wu BVI.

(d) *Establishment of the wholly foreign owned enterprise*

Guangzhou Xuantao Intelligent Cloud Technology Co., Ltd. ("Xuantao") was incorporated in the PRC with limited liability on 6 August 2021 as the intermediate holding company in the PRC. On the date of incorporation, it had an initial registered capital of US\$11,000,000, which was subscribed by Xuan Wu HK. Accordingly, Xuantao became directly wholly-owned by Xuan Wu HK.

(e) *Entering into of the Contractual Arrangements*

On 10 August 2021, Xuantao entered into various agreements (the "Contractual Arrangements") with Xuan Wu and its registered shareholders, pursuant to which Xuantao controls the PRC Operating Entities by way of exposing to, or has rights to variable returns from its investment with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities. For further details on the Contractual Arrangements, please refer to Note 2.2.

Upon completion of the above transfers, the Company became the holding company of Xuan Wu and the companies now comprising the Group.

As at the date of this report and during the Track Record Period, the Group had direct or indirect interests in the following subsidiaries:

Company name	Country/place and date of incorporation/ establishment	Registered/ issued capital	Attributable equity interest of the Group				As at the date of this report	Principal activities and place of operation	Note
			As at 31 December						
			2018	2019	2020	2021			
Directly owned:									
Xuan Wu BVI	BVI, 28 May 2021	US\$50,000	Not applicable	Not applicable	Not applicable	100%	Investment holding in BVI	(ii)	
Indirectly owned:									
Xuan Wu HK	Hong Kong, 17 June 2021	HKD10,000	Not applicable	Not applicable	Not applicable	100%	Investment holding in Hong Kong	(ii)	
Xuantao 廣州市玄燭智慧雲科技有限公司	The PRC, 6 August 2021	US\$11,000,000	Not applicable	Not applicable	Not applicable	100%	Investment holding in Guangzhou	(ii)	
Xuan Wu 廣州市玄武無線網絡科技股份有限公司	The PRC, 2 November 2010	RMB52,593,000	100%	100%	100%	100%	Intelligent CRM services in Guangzhou	(i)	
Guangzhou Jixin Communication Technology Co., Ltd.* 廣州市即信通信科技股份有限公司	The PRC, 5 May 2017	RMB10,000,000	100%	100%	100%	100%	Undertaking code numbers and procurement of channel resources from operators in Guangzhou	(i)	
Guangzhou Xuanyun Information Technology Co., Ltd.* 廣州市玄訊信息技術有限公司	The PRC, 20 May 2014	RMB10,000,000	100%	100%	100%	100%	Undertaking code numbers and procurement of channel resources from operators in Guangzhou	(i)	
Guangzhou Xuixin Information Technology Co., Ltd.* 廣州市煦鑫信息科技股份有限公司	The PRC, 18 February 2013	RMB10,000,000	100%	100%	100%	100%	Undertaking code numbers and procurement of channel resources from operators in Guangzhou	(i)	
Guangzhou Zhengjun Information Technology Co., Ltd.* 廣州市正君信息科技股份有限公司	The PRC, 28 January 2013	RMB10,000,000	100%	100%	100%	100%	Undertaking code numbers and procurement of channel resources from operators in Guangzhou	(i)	
Guangzhou Zhongmai Guangwei Information Technology Co., Ltd.* 廣州市中君信息科技股份有限公司	The PRC, 26 September 2012	RMB10,000,000	100%	100%	100%	100%	Undertaking code numbers and procurement of channel resources from operators in Guangzhou	(i)	
Guangzhou Guanghan Information Technology Co., Ltd.* 廣州市廣翰信息科技股份有限公司	The PRC, 21 October 2011	RMB10,000,000	100%	100%	100%	100%	Undertaking code numbers and procurement of channel resources from operators in Guangzhou	(i)	
Guangzhou Shangyu Wireless Technology Co., Ltd.* 廣州市商域無線網絡科技股份有限公司	The PRC, 4 June 2007	RMB10,000,000	100%	100%	100%	100%	Undertaking code numbers and procurement of channel resources from operators in Guangzhou	(i)	

Company name	Country/place and date of incorporation/ establishment	Registered/ issued capital	Attributable equity interest of the Group				Principal activities and place of operation	Note
			As at 31 December					
			2018	2019	2020	2021		
Beijing Xiuwu Wenyu Technology Co., Ltd. * 北京秀武文昱科技有限公司	The PRC, 9 May 2008	RMB10,000,000	100%	100%	100%	100%	Undertaking the product sales business, code numbers and procurement of channel resources from operators in Beijing	(i)
Henan Shangfang Communication Technology Co., Ltd. * 河南上方通信技术有限公司	The PRC, 14 June 2011	RMB10,010,000	100%	100%	100%	100%	Undertaking code numbers and procurement of channel resources from operators in Henan	(i)
Guangzhou Dejiu Information Technology Co., Ltd. * ("Dejiu") 廣州德久信息科技有限公司	The PRC, 4 January 2017	RMB10,000,000	70%	70%	70%	70%	Provision of voice and video communication capabilities in Guangzhou	(i), (iii)
Tianjin Xingjian Xintong Technology Co., Ltd. * 天津行健信通科技有限公司	The PRC, 9 May 2017	RMB10,000,000	70%	70%	70%	70%	Undertaking code numbers in Tianjin	(ii)
Guangzhou Xingjian Xintong Technology Co., Ltd. * 廣州行健信通科技有限公司	The PRC, 10 March 2020	RMB1,000,000	Not applicable	Not applicable	70%	70%	Undertaking code numbers in Guangzhou	(ii)

\* The English names of the subsidiaries represent the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

(i) The statutory financial statements of these companies for the years ended 31 December 2018, 2019, 2020 and 2021 were prepared in accordance with Chinese accounting standards and audited by GP Certified Public Accountants LLP, Huaxing Certified Public Accountants LLP, Guangdong Simong Certified Public Accountants LLP and Guangzhou Zhisheng Certified Public Accountants LLP respectively.

(ii) No audited financial statements were issued for these companies as they are either newly incorporated or not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.

(iii) On 16 August 2018, Xuan Wu completed its acquisition of 70% of the equity interests in Dejiu (Note 32).

### 1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business was mainly conducted through the PRC Operating Entities. Pursuant to the Reorganisation, the Listing Business were ultimately under effective control of the Company through direct equity holding or through Contractual Arrangements. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The steps as described in Note 1.2 above are merely a recapitalisation of the Listing Business with no change in management of such business and the ultimate controlling shareholders of the Listing Business remains the same.

Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business under the PRC Operating Entities and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of the PRC Operating Entities with the assets and liabilities of the Group recognised and measured at the carrying amounts of the Listing Business for all periods presented.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in preparation of the Historical Financial Information are set out as below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA. The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss ("FVPL"), which are carried at fair value.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

HKFRS 16 "Lease" is mandatory effective for the financial year beginning on or after 1 January 2019. In preparing of the Historical Financial Information, it has been applied consistently throughout the Track Record Period.

#### 2.1.1 Changes in accounting policy and disclosures

Up to the date of issuance of this report, the HKICPA has issued the following new standards and amendments to existing standards which are not yet effective and have not been early adopted by the Group during the Track Record Period:

		<b>Effective for annual periods beginning on or after</b>
HKFRS 16 (Amendments)	COVID-19 related rent concessions beyond 30 June 2021	1 April 2021
Annual improvements Project	Annual Improvements to HKFRS Standards 2018–2020	1 January 2022
HKFRS 3, HKAS 16, and HKAS 37	Narrow-scope amendments (amendments)	1 January 2022
Accounting guideline 5 (revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2023
HKFRS 17	Insurance contract (new standard and amendments)	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023

		<b>Effective for annual periods beginning on or after</b>
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKFRS 4	Extension of the Temporary Exemption from Applying HKFRS 9	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new standards and amendments. According to the preliminary assessment made by the Group, no significant impact on the Group's consolidated financial statements is expected when they become effective.

## 2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Except for the Reorganisation, the acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, statements of financial position and statements of changes in equity respectively.

### Subsidiaries controlled through Contractual Arrangements

In order to comply with the PRC laws and regulations which prohibit or restrict foreign control of companies involved in provision of certain restricted businesses, in particular, intelligent CRM services. The Group operates its restricted businesses in the PRC through certain PRC operating entities, whose equity interests are held by shareholders ("Nominee Shareholders"). The Group obtained control over certain PRC operating entities via a series of the Contractual Arrangements signed between certain directly or indirectly held subsidiaries of the Company in the PRC, PRC operating entities operating the restricted businesses (the "Controlled Structured Entities") and their respective Nominee Shareholders. The Contractual Arrangements, includes exclusive business cooperation agreement, exclusive option agreement, equity pledge agreement, proxy agreements and powers of attorney, and spouse undertakings which enables those directly or indirectly held subsidiaries of the Company and the Group to:

- (i) Govern the financial and operating policies of the Controlled Structured Entities;
- (ii) Exercise Nominee Shareholders' voting rights of the Controlled Structured Entities;

- (iii) Exercise effective financial and operational control over of Controlled Structured Entities;
- (iv) Receive substantially all of the economic interests and returns generated by the Controlled Structured Entities in consideration for the business support, technical and consulting services provided by the Xuantao, at Xuantao's discretion;
- (v) Obtain an irrevocable and exclusive right to purchase all equity interests in the Controlled Structured Entities from its Nominee Shareholders at a nominal consideration unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. Where the purchase consideration is required by the relevant government authorities to be an amount other than a nominal amount, the Nominee Shareholders of the Controlled Structured Entities shall return the amount of purchase consideration they have received to Xuantao. At Xuantao's request, the Nominee Shareholders of the Controlled Structured Entities will promptly and unconditionally transfer their respective equity interests in the Controlled Structured Entities to Xuantao (or its designee within the Group) after Xuantao exercises its purchase right; and
- (vi) Obtain pledges over the entire equity interests in the Controlled Structured Entities from its Nominee Shareholders to secure, among others, performance of their obligations under the Contractual Arrangements.

The Group does not have any equity interest in the Controlled Structured Entities. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with the Controlled Structured Entities and has the ability to affect those returns through its power over the Controlled Structured Entities and is considered to control the Controlled Structured Entities. Consequently, the Company regards the Controlled Structured Entities as indirect subsidiaries under HKFRSs.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the Controlled Structured Entities and their respective subsidiaries and such uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Controlled Structured Entities and their respective subsidiaries. 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 regulations and are legally binding and enforceable.

### 2.3 Business combinations

Except for the Reorganisation, the acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

#### 2.4 Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

#### 2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors who makes strategic decisions.

#### 2.6 Foreign currency translation

##### (a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Historical Financial Information are presented in RMB, which is the Company's functional and the Group's presentation currency.

##### (b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised within "Other gains – net" in the consolidated statements of comprehensive income.

#### 2.7 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.



Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or, in case of leasehold improvements, the shorter lease term, as follows:

- Office Furniture and equipment	3-5 years
- Computers and electronic equipment	3-5 years
- Leasehold improvements	the shorter of the lease term or the useful life

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains – net" in the consolidated statements of comprehensive income.

## 2.8 Intangible assets

### (a) Goodwill

Goodwill is measured as described in Note 16. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGU or groups of CGU that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

### (b) Software

Separately acquired computer softwares were shown at historical cost less accumulated amortisations and accumulated impairment losses. Cost represents consideration paid for the rights to use the computer software for 1-3 years or with no expiry date. For the computer software with no expiry date, as the computer softwares are well-developed off the shelf software used for financial reporting and the Group can use the software as long as it can meet the Group's financial reporting needs, based on the current functionalities equipped by this software and the daily operation needs, the Group considers a useful life of 10 years is the best estimation under current financial reporting needs. Amortisation of computer software are calculated on the straight-line method.

Costs associated with maintaining software are recognised as expenses as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software controlled by the Group were recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software, and use or sell it;
- there is an ability to use or sell the software;

- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software was available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. There were no development costs meeting these criteria and capitalised as intangible assets for the years ended 31 December 2018, 2019, 2020 and 2021.

(c) *Platform*

Platform acquired in a business combination is recognised at fair value at the acquisition date. Platform has a finite useful life and is carried at cost less accumulated amortisations.

(d) *Research and development expenditures*

Research and development expenditures that do not meet the criteria in (b) above are recognised as expenses as incurred. Development costs previously recognised as expenses were not recognised as assets in subsequent period.

(e) *Amortisation method and period*

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- |            |            |
|------------|------------|
| • Software | 1-10 years |
| • Platform | 5 years    |

## 2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## 2.10 Investments and other financial assets

(a) *Classification*

The Group classifies its financial assets in the following measurement categories:

those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI"). For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

**(b) Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

**(c) Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

*Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains - net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statements of comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains - net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains - net and impairment expenses are presented as separate line item in the statements of comprehensive income.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains - net in the period in which it arises.

**2.11 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty. There was no financial asset and liability offset during the Track Record Period.

**2.12 Impairment of financial assets**

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables from third parties and related parties are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

**2.13 Trade and other receivables**

Trade receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 20 for further information about the Group's accounting for trade receivables and Note 3.1.2 for a description of the Group's impairment policies.

**2.14 Cash and cash equivalents and restricted cash**

For the purpose of presentation in the statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank deposits which are restricted to use are included in "restricted cash" of the consolidated statements of financial position.

**2.15 Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**2.16 Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

**2.17 Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

**2.18 Borrowing costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

**2.19 Current and deferred income tax**

The income tax expenses or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

**(a) Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**(b) Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## 2.20 Employee benefits

### (a) Pension obligations

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

### (b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

### (c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

### (d) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

## 2.21 Share-based payments

Share-based compensation benefits are provided to employees via share award scheme. The fair value of equity-settled share-based payments for the services received from employees was measured at the grant date of the equity instruments. It was recognised as share-based compensation expenses in the profit or loss and as share-based payment reserve respectively. The total amount to be expensed is determined by reference to the fair value of the shares granted as at grant date, including any market performance conditions, excluding the impacts of any service and non-market performance vesting conditions as well as including any non-vesting conditions, when applicable.

For the purpose of the share award ("Share Award Scheme"), Guangzhou Xuandong Investment Limited Partnership (Limited Partnership) ("Guangzhou Xuandong"), Guangzhou Xuanxi Investment Limited Partnership (Limited Partnership) ("Guangzhou Xuanxi"), Guangzhou Xuannan Investment Limited Partnership (Limited Partnership) ("Guangzhou Xuannan") and Guangzhou Xuanbei Investment Limited Partnership (Limited Partnership) ("Guangzhou Xuanbei") (collectively, "ESOP platforms") were established as limited partnership in the PRC in May 2015. Mr. Chen, Mr. Huang, Mr. Li, Mr. Xie Lejun ("Mr. Xie") and Mr. Song Xiaohu ("Mr. Song") transferred 7,650,000 shares to ESOP platforms. The objective of the Share Award Scheme is to encourage and retain selected grantees including directors and employees of the Group, to work with the Group and to provide additional incentive for them to enhance performance goals and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group.

Part of shares of the ESOP platforms were granted to certain employees before Track Record Period. Total share-based compensation expensed was recognised at the grant date since the shares were immediately vested with no vesting conditions.

During the years ended 31 December 2018, 2019, 2020 and 2021, there were no new shares granted and no share-based compensation expenses recognised.

## 2.22 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expenses.

## 2.23 Revenue recognition

Revenue is measured when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- 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.

If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Group is acting as the principal or an agent in the transactions. In determining whether the Group acts as the principal or an agent, the Group follows the accounting guidance for principal-agent considerations in HKFRS 15 to assess whether the Group controls the specified service before it is transferred to the end customer, the indicators of which including but not limited to (i) whether the entity is primarily responsible for fulfilment the promise to provide the specified service; (ii) whether the entity has inventory risk before the specified service has been transferred to a customer; and (iii) whether the entity has discretion in establishing the prices for the specified goods or service. Such determination involves judgement and is based on an evaluation of the terms of each arrangement.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is 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).

Contract fulfilment costs are stated at the lower of cost and net realisable value. Cost mainly comprises direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Costs to fulfil a contract comprise the implementation cost including direct labour and an appropriate proportion of variable and fixed overhead expenditure related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfil a contract are recorded in contract fulfilment costs if they are expected to be recovered.

The Group generates revenues separately or in combination, from providing CRM platform as a service ("CRM PaaS services") and CRM software as a service ("CRM SaaS services") to customers.

#### *CRM PaaS services*

The Group mainly provides communication platform as a service ("cPaaS") to encapsulate messaging communication capabilities of the three major telecommunication network operators for the customers to be integrated into the customer's business systems, thereby enabling the customers to access and utilise the Group's communication capabilities as a service.

The Group purchases text messages from telecommunication network operators and then combined with its services to provide an integrated communication service to customers via the Group's own platform. Therefore, the Group controls the specified service before it is transferred to customer and is acting as a principal in the transaction.



CRM PaaS services revenues primarily consist of usage of text message fees provided to end customers, which is recognised at a point in time. The Group's service fees are determined by applying the contractual unit price to the monthly usage volume of text messages sent.

#### *CRM SaaS services*

CRM SaaS services are cloud-based and primarily categorised into three cloud solutions, namely marketing cloud, sales cloud and service cloud covering customers' entire business cycle to meet the aforesaid requests. The cloud and the encapsulated communication capability of the major telecommunication network operators, which consolidate the cPaaS platform, as well as CRM functions, altogether form the integrated and comprehensive CRM SaaS services of the Group.

Marketing cloud primarily offers a range of modules to customers, which consolidate the cPaaS platform, e.g. UMP solution — a private cloud-based solution that allows dissemination of marketing messages; MOS solution — a public cloud-based solution that allows dissemination of marketing message; and ICC solution — a solution that allows clients to manage comprehensive communication channels for intra- and extra-organisational purposes. Revenue of marketing cloud primarily generates from fees based on usage of text messages, which is recognised at a point in time by applying the contractual unit price to the monthly usage volume of text messages sent.

Sales cloud provides a comprehensive sales management solutions including U-Client 100 and Smart Sales 100 to customers by introducing a streamlined operation model and automated workflow to customers' sales management cycle. Customers generally subscribe to the Group's sales management solution at a fixed annually or monthly fee granting them the access to one or more of the cloud applications, which is identified as a separate performance obligation. The Group also provides implementation services to customers, including customised configuration and development of specific applications, which is identified as a separate performance obligation. Total consideration is mainly allocated to subscription service fees and implementation service fees based on their stand alone selling price determined based on the observable contractual prices charged to customers. Revenue from subscription service is primarily recognised over the service contract period. Revenue from implementation service is recognised at a point in time upon completion of the implementation service and acceptance by customers of the promised products and services.

Service cloud provides customers with a range of post-sales customer services-related solutions which offers in Cloud Call Centre — a customer service solution that brings the traditional call centre onto the cloud. Revenue from service cloud primarily generates from fees based on usage of voice call, which is recognised at a point in time by applying the contractual unit price to monthly usage minutes of voice calls placed, and subscription fees, which is recognised over the service period.

The Group also provides product support service to customers, which is identified as a separate performance obligation and is provided mainly in the form of fixed-price contracts. Revenue from product support service is recognised ratably over the service contract period.

#### **2.24 Interest income**

Interest income from financial assets at FVPL is included in the net fair value gains on these assets.

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated statements of comprehensive income as "other income".

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purpose, see Note 11 below.

#### **2.25 Leases**

The Group leases certain offices. Rental contracts are typically made for fixed periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease if that rate can be determined, or the Group's incremental borrowing rate. To determine the incremental borrowing rate, the Group uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associate with short-term leases terms of 12 months or less and leases of low-value assets are recognised on a straight-line basis over the lease term as an expense in profit or loss.

## 2.26 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

## 2.27 Earnings per share

### (a) *Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

**2.28 Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

**3 FINANCIAL RISK MANAGEMENT**

**3.1 Financial risk factors**

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

**3.1.1 Market risk**

(a) *Foreign exchange risk*

The Group's businesses are principally conducted in RMB. As at 31 December 2018, 2019, 2020 and 2021, there was no significant non-RMB assets and liabilities. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

(b) *Price risk*

The Group is exposed to price risk in respect of financial assets at fair value through profit or loss held by the Group which are carried at fair value with changes in the fair value recognised in profit or loss.

To manage its price risk arising from investments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group. Each investment is managed by senior management on a case by case basis. The impact of variable price of the Group's investments please refer to Note 19.

(c) *Cash flow and fair value interest rate risk*

The Group's income and operating cash flows were substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for cash and cash equivalents, details of which have been disclosed in Note 22.

The Group has no significant variable interest-bearing assets or liabilities except for the bank balances. Therefore, the directors of the Company do not anticipate there is any significant impact resulted from the changes in interest rates.

### 3.1.2 Credit risk

The Group is exposed to credit risk in relation to its trade, bill and other receivables, contract assets, cash and cash equivalents, restricted cash and financial assets at fair value through profit or loss. The carrying amounts of trade, bill and other receivables, contract assets, cash and cash equivalents, restricted cash and financial assets at fair value through profit or loss represent the Group's maximum exposure to credit risk in relation to financial assets.

(a) *Cash and cash equivalents and restricted cash*

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks whose credit rating are AAA or AA+. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(b) *Financial assets at fair value through profit or loss*

The Group expects that there is no significant credit risk associated with financial assets at fair value through profit or loss as the Group invests in wealth management products with high market credit rating, liquidity and stable return. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(c) *Trade, bill and other receivables and contract assets*

For trade, bill and other receivables and contract assets, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

(i) *Trade receivables and contract assets*

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivable and contract assets.

To measure the expected credit losses of trade receivable and contract assets, trade receivable and contract assets were grouped based on shared credit risk characteristics and ageing period. The expected credit losses also incorporate forward-looking information, includes industrial value-added, M2, Consumer Price Index and so on.

For trade receivables and contract assets, management collectively assessed the expected credit losses taking into account the history of bad debt losses and industry credit loss rate, in respect of those groups of customers.

Trade receivables have been grouped into two categories by the Group's management based on shared credit risk characteristics. Receivables from state-owned enterprises, collectively-owned enterprises and companies invested by state-owned or collectively-owned enterprises are grouped as one category ("Group 1"), and remaining receivables from other customers are classified as another category ("Group 2"). Contract assets are classified under Group 2.

As at 31 December 2018, 2019, 2020 and 2021, the loss allowance provision for the trade receivables and contract assets due from third parties was determined as follows.

	Group 1	Group 2					Total
		Up to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	Over 2 years	
<b>Trade receivables and contract assets</b>							
At 31 December 2018							
Expected loss rate	0.37%	0.35%	0.70%	12.19%	26.55%	57.52%	-
Gross carrying amount (RMB'000)	93,731	23,819	1,847	2,445	1,785	2,652	126,279
Loss allowance provision (RMB'000)	<u>347</u>	<u>83</u>	<u>13</u>	<u>298</u>	<u>474</u>	<u>1,525</u>	<u>2,740</u>
At 31 December 2019							
Expected loss rate	0.24%	0.64%	1.29%	17.86%	38.84%	86.56%	
Gross carrying amount (RMB'000)	123,689	29,341	3,483	3,858	2,348	3,492	166,211
Loss allowance provision (RMB'000)	<u>297</u>	<u>188</u>	<u>45</u>	<u>689</u>	<u>912</u>	<u>3,023</u>	<u>5,154</u>
At 31 December 2020							
Expected loss rate	0.15%	1.08%	2.32%	37.64%	44.19%	91.25%	
Gross carrying amount (RMB'000)	184,758	46,021	3,572	4,559	5,080	4,982	248,972
Loss allowance provision (RMB'000)	<u>277</u>	<u>497</u>	<u>83</u>	<u>1,716</u>	<u>2,245</u>	<u>4,546</u>	<u>9,364</u>
At 31 December 2021							
Expected loss rate	0.18%	1.65%	3.28%	44.05%	67.90%	98.72%	
Gross carrying amount (RMB'000)	182,629	68,430	9,987	7,586	2,333	7,439	278,404
Loss allowance provision (RMB'000)	<u>329</u>	<u>1,129</u>	<u>328</u>	<u>3,342</u>	<u>1,584</u>	<u>7,344</u>	<u>14,056</u>

(ii) Bills receivable

For bills receivable, the expected credit losses were mainly assessed by taking into account the credit rating for issuing financial institutions. The Group assessed that the expected credit loss rate for bill receivables from banks were low since the banks are state-owned or other medium or large-size listed banks whose credit ratings are A1 and Baa1 and have a strong capacity to meet its contractual cash flow obligation in the near term. The Group assessed that the expected credit losses rate for bill receivables from the banks are immaterial and considered them to have a low credit risk, and thus the loss allowance is immaterial.

## (iii) Other receivables

Other receivables mainly included deposits and others.

The Group uses the expected credit loss model to determine the expected loss provision for other receivables.

The Group considers the probability of default whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant changes in the expected performance and behaviour of the borrowers, including changes in the payment status of borrowers and changes in the operating results of the borrowers.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

<u>Category</u>	<u>Group definition of category</u>	<u>Basis for recognition of expected credit loss provision</u>
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Under-performing	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 90 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 180 days past due	Lifetime expected losses

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward-looking macroeconomic data.

The Group has assessed that there is no significant increase of credit risk for other receivables since initial recognition. Thus the Group used the 12 months expected credit losses model to assess credit loss of other receivables.

	<u>Performing</u>	<u>Under- performing</u>	<u>Non- performing</u>	<u>Total</u>
<b>Other receivables (excluding other receivables from related parties)</b>				
At 31 December 2018				
Gross carrying amount (RMB'000)	7,201	–	–	7,201
Loss allowance provision (RMB'000)	<u>102</u>	<u>–</u>	<u>–</u>	<u>102</u>
At 31 December 2019				
Gross carrying amount (RMB'000)	9,182	–	–	9,182
Loss allowance provision (RMB'000)	<u>125</u>	<u>–</u>	<u>–</u>	<u>125</u>
At 31 December 2020				
Gross carrying amount (RMB'000)	10,599	–	–	10,599
Loss allowance provision (RMB'000)	<u>143</u>	<u>–</u>	<u>–</u>	<u>143</u>
At 31 December 2021				
Gross carrying amount (RMB'000)	15,957	–	–	15,957
Loss allowance provision (RMB'000)	<u>174</u>	<u>–</u>	<u>–</u>	<u>174</u>

As at 31 December 2018, 2019, 2020 and 2021, the loss allowance provision for trade and other receivables and contract assets reconciles to the opening loss allowance for that provision as follows:

	<b>Trade receivables</b>	<b>Contract assets</b>	<b>Other receivables</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2018	294	–	84	378
Net impairment losses on financial assets	<u>2,446</u>	<u>–</u>	<u>18</u>	<u>2,464</u>
At 31 December 2018	<u><b>2,740</b></u>	<u><b>–</b></u>	<u><b>102</b></u>	<u><b>2,842</b></u>
At 1 January 2019	2,740	–	102	2,842
Net impairment losses on financial assets	2,861	4	23	2,888
Receivables written off during the year as uncollectible	<u>(451)</u>	<u>–</u>	<u>–</u>	<u>(451)</u>
At 31 December 2019	<u><b>5,150</b></u>	<u><b>4</b></u>	<u><b>125</b></u>	<u><b>5,279</b></u>
At 1 January 2020	5,150	4	125	5,279
Net impairment losses on financial assets	4,309	15	18	4,342
Receivables written off during the year as uncollectible	<u>(114)</u>	<u>–</u>	<u>–</u>	<u>(114)</u>
At 31 December 2020	<u><b>9,345</b></u>	<u><b>19</b></u>	<u><b>143</b></u>	<u><b>9,507</b></u>
At 1 January 2021	9,345	19	143	9,507
Net impairment losses/ (reversal of impairment loss) on financial assets	5,352	(13)	31	5,370
Receivables written off during the year as uncollectible	<u>(647)</u>	<u>–</u>	<u>–</u>	<u>(647)</u>
At 31 December 2021	<u><b>14,050</b></u>	<u><b>6</b></u>	<u><b>174</b></u>	<u><b>14,230</b></u>



3.1.3 *Liquidity risk*

To manage 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 table below analyses the Group's financial liabilities and lease liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Financial liabilities</b>				
As at 31 December 2018				
Trade and other payables (excluding accrued payroll and other tax payables)	46,798	–	–	46,798
Lease liabilities	7,040	6,646	5,494	19,180
	<u>53,838</u>	<u>6,646</u>	<u>5,494</u>	<u>65,978</u>
As at 31 December 2019				
Trade and other payables (excluding accrued payroll and other tax payables)	39,334	–	–	39,334
Lease liabilities	7,616	6,307	32	13,955
Borrowings	40,825	–	–	40,825
	<u>87,775</u>	<u>6,307</u>	<u>32</u>	<u>94,114</u>
As at 31 December 2020				
Trade and other payables (excluding accrued payroll and other tax payables)	89,749	–	–	89,749
Lease liabilities	7,582	274	–	7,856
Borrowings	40,213	–	–	40,213
	<u>137,544</u>	<u>274</u>	<u>–</u>	<u>137,818</u>
As at 31 December 2021				
Trade and other payables (excluding accrued payroll and other tax payables)	108,961	–	–	108,961
Lease liabilities	8,994	7,571	18,877	35,442
Borrowings	59,477	–	–	59,477
	<u>177,432</u>	<u>7,571</u>	<u>18,877</u>	<u>203,880</u>

### 3.2 Capital 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 reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the asset-liability ratio. This ratio is calculated as total liabilities divided by total assets.

As at 31 December 2018, 2019, 2020 and 2021 asset-liability ratio of the Group is as follows:

	As at 31 December			
	2018	2019	2020	2021
Asset – liability ratio	37%	45%	42%	48%

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Historical Financial Information requires the use of certain critical accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

### (a) Contractual arrangements

The Group conducts its business through Xuan Wu and its subsidiaries. Due to the regulatory restrictions on the foreign ownership of the intelligent CRM services business in the PRC, the Group does not have any equity interest in Xuan Wu. The Directors assessed whether or not the Group has control over Xuan Wu and its subsidiaries by assessing whether it has the rights to variable returns from its involvement with Xuan Wu and its subsidiaries and has the ability to affect those returns through its power over Xuan Wu and its subsidiaries. After assessment, the Directors concluded that the Group has control over Xuan Wu and its subsidiaries as a result of the Contractual Arrangements and accordingly the financial position and the operating results of Xuan Wu and its subsidiaries are included in the Group's consolidated financial statements throughout the Track Record Period or since the respective dates of incorporation/establishment, whichever is the earlier period. Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Xuan Wu and its subsidiaries and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Xuan Wu and its subsidiaries. The Directors, based on the advice of its legal counsel, consider that the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations.

### (b) Gross versus net assessment in revenue recognition

As disclosed in Note 2.23, the Group provides intelligent CRM services to its customers under different business models, which involves the assessment of revenue recognition on a gross or net basis, i.e. principal versus agent assessment in different business models. The Group follows the accounting guidance for principal-agent considerations to assess whether the Group controls the specified service before it is transferred to the customer and also the indicators of which including but not limited to: (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified service including whether the entity has discretion in selecting suppliers; (b) whether the entity has inventory risk before the specified service has been transferred to a

customer; (c) whether the entity has discretion in establishing the prices for the specified service. The directors of the Company consider the above factors in totality, as none of the factors individually are considered presumptive or determinative and applies judgment when assessing the indicators depending on different circumstances.

**(c) Allowance on doubtful receivables**

The Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. The Group used judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past collection history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables as doubtful debt expenses in the periods in which such estimate has been changed. For details of the key assumptions and inputs used, see Note 3.1.2 above.

**(d) Current and deferred income tax**

The Group is subject to corporate income taxes in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

**5 SEGMENT INFORMATION**

**(a) Description of segments and principal activities**

The CODM has been identified as executive directors of the Company. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors consider the business from product perspective. The Group has identified the following operating segments:

**(i) CRM PaaS services**

CRM PaaS services mainly provide cPaaS to encapsulate messaging communication capabilities of the three major telecommunication network operators for the customers to be integrated into the customer's business systems, thereby enabling the customers to access and utilise the communication capabilities as a service.

**(ii) CRM SaaS services**

CRM SaaS services comprise of marketing cloud, sales cloud and service cloud, which enable the Group to provide the customer with a one-stop intelligent CRM services throughout their entire business cycle, from initial marketing to after-sales services.

The CODM assesses the performance of the operating segments based on the gross profit of each segment. There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources or to evaluate the performance of the operating segments.

As at 31 December 2018, 2019, 2020 and 2021, majority of the assets were located in the PRC.

**(b) Segment performance**

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2018 is as follows:

	Year ended 31 December 2018		
	CRM PaaS services	CRM SaaS services	Total
	RMB'000	RMB'000	RMB'000
Revenue	201,436	317,399	518,835
Cost of sales	(142,076)	(191,258)	(333,334)
<b>Gross profit</b>	59,360	126,141	185,501
Selling and distribution expenses			(83,023)
Administrative expenses			(37,155)
Research and development expenses			(40,788)
Net impairment losses on financial assets			(2,464)
Other income			7,043
Other gains – net			1,318
<b>Operating profit</b>			30,432
Finance income			441
Finance costs			(328)
Finance income - net			113
<b>Profit before income tax</b>			<b>30,545</b>

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2019 is as follows:

	Year ended 31 December 2019		
	CRM PaaS services	CRM SaaS services	Total
	RMB'000	RMB'000	RMB'000
Revenue	301,518	298,683	600,201
Cost of sales	(226,448)	(177,059)	(403,507)
<b>Gross profit</b>	75,070	121,624	196,694
Selling and distribution expenses			(93,430)
Administrative expenses			(45,819)
Research and development expenses			(50,580)
Net impairment losses on financial assets			(2,888)
Other income			7,378
Other gains – net			601
<b>Operating profit</b>			11,956
Finance income			379
Finance costs			(1,754)
Finance costs – net			(1,375)
<b>Profit before income tax</b>			<b>10,581</b>

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2020 is as follows:

	Year ended 31 December 2020		
	CRM PaaS services	CRM SaaS services	Total
	RMB'000	RMB'000	RMB'000
Revenue	460,847	335,915	796,762
Cost of sales	(396,863)	(206,106)	(602,969)
<b>Gross profit</b>	63,984	129,809	193,793
Selling and distribution expenses			(77,149)
Administrative expenses			(39,754)
Research and development expenses			(53,022)
Net impairment losses on financial assets			(4,342)
Other income			9,671
Other gains – net			466
<b>Operating profit</b>			29,663
Finance income			706
Finance costs			(3,011)
Finance costs – net			(2,305)
<b>Profit before income tax</b>			<b>27,358</b>

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2021 is as follows:

	Year ended 31 December 2021		
	CRM PaaS services	CRM SaaS services	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	554,643	437,298	991,941
Cost of sales	(494,056)	(265,493)	(759,549)
<b>Gross profit</b>	60,587	171,805	232,392
Selling and distribution expenses			(91,024)
Administrative expenses			(68,515)
Research and development expenses			(66,126)
Net impairment losses on financial assets			(5,370)
Other income			12,557
Other gains – net			393
<b>Operating profit</b>			14,307
Finance income			750
Finance costs			(2,577)
Finance costs – net			(1,827)
<b>Profit before income tax</b>			<b>12,480</b>

Revenue of approximately RMB145,139,000 and RMB164,046,000 was from one customer who individually contributed 10% or more of the Group's total revenue for the year ended 31 December 2020 and 2021, respectively. This revenue was attributed to the CRM PaaS services segment. Other than that, the Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue for the Track Record Period.

## 6 REVENUE

Revenue mainly comprises of proceeds from providing CRM PaaS services and CRM SaaS services. The analysis of the Group's revenue by category for the years ended 31 December 2018, 2019, 2020 and 2021 was as follows:

	Year ended 31 December			
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CRM PaaS services	201,436	301,518	460,847	554,643
CRM SaaS services	317,399	298,683	335,915	437,298
	<u>518,835</u>	<u>600,201</u>	<u>796,762</u>	<u>991,941</u>

The analysis of revenue from contracts with customers by the timing of revenue recognition for the years ended 31 December 2018, 2019, 2020 and 2021 was as follows:

	Year ended 31 December			
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At a point in time	506,747	580,809	770,020	956,142
Over time	12,088	19,392	26,742	35,799
	<u>518,835</u>	<u>600,201</u>	<u>796,762</u>	<u>991,941</u>

## (a) Contract assets

The Group has recognised the following revenue-related contract assets:

	As at 31 December			
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract assets	15	124	380	101
Less: Allowance for contract assets	–	(4)	(19)	(6)
	<u>15</u>	<u>120</u>	<u>361</u>	<u>95</u>

**(b) Contract liabilities**

The Group has recognised the following revenue-related contract liabilities:

	<b>As at 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities	<u>24,282</u>	<u>29,278</u>	<u>34,021</u>	<u>31,924</u>

**(i) Significant changes in contract liabilities**

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided.

**(ii) Revenue recognised in relation to contract liabilities**

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	<b>Year ended 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year				
Contract liabilities	<u>12,881</u>	<u>16,067</u>	<u>20,520</u>	<u>22,577</u>

**(iii) Unsatisfied performance obligations**

The Group has elected the practical expedient for not to disclose the remaining performance obligations because the performance obligation is part of contracts that do not have fixed aggregate amount of transaction price.

**(iv) Assets recognised from incremental costs to obtain a contract**

During the years ended 31 December 2018, 2019, 2020 and 2021, there was no significant incremental costs incurred to obtain contracts.



## 7 EXPENSES BY NATURE

Expenses including in cost of sales, selling and distribution expenses, research and development expenses and administrative expenses are analysed as follows:

	Year ended 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Costs of telecommunications resources	313,462	384,934	576,702	728,366
Employee benefit expenses (Note 8)	121,736	147,016	140,808	170,959
Travel and entertainment expenses	10,548	14,260	13,033	16,538
Listing expenses	–	–	–	15,617
Depreciation and amortisation expenses (Notes 14, 15 and 16)	11,668	12,779	12,469	13,588
Outsourcing customer service expenses	8,413	8,486	7,499	11,691
Infrastructure and equipment expenses	8,359	6,452	5,746	8,272
Professional service fees	2,207	2,280	3,518	5,670
Marketing and promotion expenses	5,277	4,622	2,815	4,072
Conference and office expenses	3,427	3,413	1,726	2,342
Taxes and other levies	1,946	1,760	1,546	2,270
Outsourcing implementation costs	2,353	2,761	2,980	1,426
Auditors' remuneration – Audit services	571	365	401	310
Lease payments on short term leases (Note 27)	492	327	55	115
Others	3,841	3,881	3,596	3,978
	<u>494,300</u>	<u>593,336</u>	<u>772,894</u>	<u>985,214</u>

## 8 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, wages, and bonuses	108,622	128,888	127,676	153,451
Social insurance expenses, housing benefits and other employee benefits (Note (a))	13,114	18,128	13,132	17,508
	<u>121,736</u>	<u>147,016</u>	<u>140,808</u>	<u>170,959</u>

- (a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the employee salary to the scheme to fund the retirement benefits of the employees.

According to policies issued by the Ministry of Human Resources and Social Security and local municipal departments, affected by Coronavirus Disease 2019 (COVID-19), social security relief policies have been successively implemented by local authorities. As such, the social insurance expenses for the period from February 2020 to December 2020 have been reduced or exempted accordingly.

Other employee benefits mainly include team building expenses, meal and traveling allowances.

- (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included nil, nil, 1, 1 director for the years ended 31 December 2018, 2019, 2020 and 2021 whose emolument is reflected in the analysis shown in Note 34. The emoluments payable to the remaining 5, 5, 4, 4 individuals during the Track Record Period are as follows:

	Year ended 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Basic salaries, housing allowances, share options, other allowances and, benefits in kind	4,219	3,795	2,741	3,562
Contribution to pension scheme – defined contribution plans	26	31	29	29
Discretionary bonuses	1,353	1,185	435	363
Inducement fee to join or upon joining the Group	–	–	–	–
Compensation for loss of office	–	–	–	–
	<u>5,598</u>	<u>5,011</u>	<u>3,205</u>	<u>3,954</u>

- (c) The emoluments fell within the following bands:

	Year ended 31 December			
	2018	2019	2020	2021
Emolument bands (in Hong Kong dollars ("HK\$"))				
Nil – HK\$1,000,000	–	1	3	–
HK\$1,000,001 – HK\$1,500,000	5	4	1	4
	<u>5</u>	<u>5</u>	<u>4</u>	<u>4</u>

- (d) Pension costs – defined contribution retirement plans

During the years ended 31 December 2018, 2019, 2020 and 2021, the Group has no forfeited contributions that were able to be utilised by the Group to reduce its contributions.

## 9 OTHER INCOME

	Year ended 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Government grants ( <i>Note (a)</i> )	3,647	1,463	1,914	480
Value-added tax refund ( <i>Note (b)</i> )	3,298	2,802	2,833	4,096
Additional deduction of value-added input tax ( <i>Note (c)</i> )	–	3,041	4,655	7,814
Others	98	72	269	167
	<u>7,043</u>	<u>7,378</u>	<u>9,671</u>	<u>12,557</u>

(a) Government grants represented various subsidies received from relevant government authorities, mainly including enterprise research and development subsidy, software enterprise support program subsidy and patent program development subsidy.

(b) According to the VAT tax regulations in the PRC, the development and sales of computer software are subject to VAT with an applicable rate of 17%, during the period from 1 January 2017 to 30 April 2018. From 1 May 2018, according to the circular “Notice of Ministry of Finance and the General Administration of Taxation on the Adjustment of VAT Rate” (Cai Shui [2018] No. 32 財稅[2018]32號), the applicable VAT rate for sales of computer software has been adjusted from 17% to 16%. From 1 April 2019, according to the circular “Announcement of Ministry of Finance, the General Administration of Taxation and the General Administration of Customs on deepening policies related to VAT reformation” (Announcement of Ministry of Finance, the General Administration of Taxation and the General Administration of Customs [2019] No. 39 財政部稅務總局海關總署公告[2019年]第39號), the application VAT rate for sales of computer software has been adjusted from 16% to 13%.

According to the circular Cai Shui [2011] No. 100 (財稅[2011]100號), software enterprises which engage in the sales of self-developed software in the PRC are entitled to VAT refund to the extent that the effective VAT rate of the sales of the software in the PRC exceeds 3%.

(c) From 1 April 2019, according to the Circular “Announcement of Ministry of Finance, the General Administration of Taxation and the General Administration of Customs on deepening policies related to VAT reformation” (Announcement of Ministry of Finance, the General Administration of Taxation and the General Administration of Customs [2019] No. 39 財政部稅務總局海關總署公告[2019年]第39號), the group companies engaged in the provision of CRM SaaS and CRM PaaS services in the PRC are entitled to an extra 10% VAT deduction.

## 10 OTHER GAINS — NET

	Year ended 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Net gains from early termination of lease agreements and derecognition of right-of use assets	17	19	24	–
Net losses from disposal of property, plant and equipment	–	–	–	(913)
Net fair value gain on investments in financial assets at fair value through profit or loss	1,342	599	539	1,209
Others	(41)	(17)	(97)	97
	<u>1,318</u>	<u>601</u>	<u>466</u>	<u>393</u>

## 11 FINANCE INCOME/(COSTS) — NET

	Year ended 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Finance income</b>				
Interest income from bank deposits	441	379	706	750
<b>Finance costs</b>				
Interest expenses of lease liabilities (Note 27)	(328)	(894)	(557)	(634)
Interest expenses of borrowings	–	(860)	(2,454)	(1,943)
	<u>(328)</u>	<u>(1,754)</u>	<u>(3,011)</u>	<u>(2,577)</u>
<b>Finance income/(costs) — net</b>	<u>113</u>	<u>(1,375)</u>	<u>(2,305)</u>	<u>(1,827)</u>

## 12 INCOME TAX EXPENSE/(CREDIT)

## (a) Cayman Islands and BVI Income Tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and accordingly, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the BVI was incorporated under the BVI Business Companies Act and, accordingly, is exempted from British Virgin Islands income tax.

## (b) Hong Kong Profits Tax

Hong Kong profits tax rate is 16.5%. No provision for Hong Kong profits tax was provided as the Group did not have assessable profit in Hong Kong during the Track Record Period.

## (c) PRC Enterprise Income Tax

Income tax provision of our Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The general corporate income tax rate in PRC is 25%.

According to Cai Shui [2012] No. 27 (財稅[2012]27號), key software enterprises that have not benefited from the preferential treatment of tax exemption in the current year may be subject to a lower income tax rate of 10%. In 2016, Cai Shui [2016] No. 49 (財稅[2016]49號, "Circular 49"), is released in order to further clarify the criteria for enterprises to qualify as key software enterprises. Xuan Wu met requirements in Circular 49 for the years ended 31 December 2018 and 2019 and has performed a record-filing with in-charge tax authority. For the years ended 31 December 2020 and 2021, Xuan Wu did not meet the requirements of Circular 49.

Xuan Wu had also applied to the relevant tax bureau and was granted the qualification as High and New Technology Enterprise ("HNTE") in 2012 and it has renewed the qualification of HNTE in 2021, which will expire in December 2024. It is subject to a preferential income tax rate of 15%. Based on management's assessment, it is highly probable that Xuan Wu will continue to meet the requirements of High-tech Enterprise.

As a result, Xuan Wu was subject to a preferential income tax rate of 10% in 2018 and 2019, and 15% in 2020 and 2021.

Certain subsidiaries of the Group in the PRC were qualified as "Small Low-Profit Enterprise" since 2019. "Small Low-Profit Enterprise" was entitled to a preferential income tax rate that was calculated in accordance with the two-tiered profits tax rates regime. From 1 January 2019 to 31 December 2020, under the two-tiered profits tax rates regime, the first RMB1,000,000 of the taxable income of qualified entities are taxed at 5%, and the taxable income above RMB1,000,000 and less than RMB3,000,000 are taxed at 10%. From 1 January 2021 to 31 December 2022, the first RMB1,000,000 of the taxable income of qualified entities are taxed at 2.5%, and the taxable income above RMB1,000,000 and less than RMB3,000,000 are taxed at 10%. Thus the subsidiaries were subject to a preferential income tax rate of 5% or 10% in 2019 and 2020 and 2.5% or 10% in 2021.

Pursuant to the Detailed Implementation Regulations for Implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding income tax rate may be applied when the immediate holding companies of the subsidiaries in Mainland China are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between Mainland China and Hong Kong.

	Year ended 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Current income tax	1,269	3	52	97
Deferred income tax (Note 28)	(528)	(2,900)	(2,001)	(2,968)
Income tax expense/(credit)	741	(2,897)	(1,949)	(2,871)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the group entities as follows:

	Year ended 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax	30,545	10,581	27,358	12,480
Tax calculated at the statutory PRC tax rate of 25%	7,636	2,645	6,840	3,120
Tax effects of:				
– Effects of preferential tax rates applicable to PRC subsidiaries of the Group	(5,257)	(1,403)	(3,515)	(647)
– Expenses not deductible for tax purposes	130	224	314	703
– Tax losses and deductible temporary differences for which no deferred income tax asset was recognised ( <i>Note (i)</i> )	1,188	203	210	243
– Utilisation of previously unrecognised tax losses	–	(142)	(273)	(28)
– The impact of change in tax rate applicable to subsidiaries	(107)	(1,073)	142	143
– Super deduction of research and development expenses ( <i>Note (ii)</i> )	(2,849)	(3,351)	(5,667)	(6,405)
Income tax expense/(credit)	741	(2,897)	(1,949)	(2,871)

- (i) The unused tax losses were incurred by certain subsidiaries which are not likely to generate taxable income in the foreseeable future. See Note 28 for information about unrecognised tax losses.
- (ii) According to the CIT laws and Detailed Implementation Rules, an enterprise is allowed to claim an additional deduction of 50% of research and development expenses incurred for the development of new technologies, new products and new craftsmanship from 2008 onwards. From 2018 to 2023, according to Caishui [2018] No. 99 (財稅 [2018]99號), an extra 75% of the actual amount of research and development expenses can be deducted before tax.

For those companies which were granted the qualification as “Small and Medium-sized Sci-tech Enterprise” during the financial years from 2018 to 2021, they could claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits during the Track Record Period.

## 13 EARNINGS PER SHARE

## (a) Basic earnings per share

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the years ended 31 December 2018, 2019, 2020 and 2021. In determining the weighted average number of ordinary shares outstanding, the 1,000 shares and 52,592,000 shares issued on 26 April 2021 and 3 August 2021, respectively, were deemed to have been in issue since 1 January 2018.

	Year ended 31 December			
	2018	2019	2020	2021
Profit attributable to owners of the Company (RMB'000)	30,012	14,398	27,748	14,513
Weighted average number of ordinary shares deemed to be in issue (in thousands)	52,593	52,593	52,593	52,593
Basic earnings per share attributable to the owners of the Company during the year (expressed in RMB per share)	0.571	0.274	0.528	0.276

The earnings per share presented above has not taken into account the proposed capitalisation issue pursuant to the resolutions of the shareholders passed on 15 June 2022, because the proposed capitalisation issue has not become effective as at report date.

## (b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Diluted earnings per share is equal to basic earnings per share as there were no potential diluted ordinary shares outstanding during the years ended 31 December 2018, 2019, 2020 and 2021.

## 14 PROPERTY, PLANT AND EQUIPMENT

	Computer and electronic equipment	Office furniture and equipment	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2018</b>				
Cost	11,838	716	1,034	13,588
Accumulated depreciation	(7,000)	(525)	(804)	(8,329)
Net book amount	<u>4,838</u>	<u>191</u>	<u>230</u>	<u>5,259</u>
<b>Year ended 31 December 2018</b>				
Opening net book amount	4,838	191	230	5,259
Additions	1,934	7	–	1,941
Acquisition of a subsidiary (Note 32)	50	4	69	123
Depreciation charge	(1,929)	(119)	(264)	(2,312)
Closing net book amount	<u>4,893</u>	<u>83</u>	<u>35</u>	<u>5,011</u>
<b>At 31 December 2018</b>				
Cost	13,836	728	1,171	15,735
Accumulated depreciation	(8,943)	(645)	(1,136)	(10,724)
Net book amount	<u>4,893</u>	<u>83</u>	<u>35</u>	<u>5,011</u>
<b>Year ended 31 December 2019</b>				
Opening net book amount	4,893	83	35	5,011
Additions	1,860	–	742	2,602
Depreciation charge	(1,885)	(35)	(33)	(1,953)
Closing net book amount	<u>4,868</u>	<u>48</u>	<u>744</u>	<u>5,660</u>
<b>At 31 December 2019</b>				
Cost	15,696	728	1,913	18,337
Accumulated depreciation	(10,828)	(680)	(1,169)	(12,677)
Net book amount	<u>4,868</u>	<u>48</u>	<u>744</u>	<u>5,660</u>
<b>Year ended 31 December 2020</b>				
Opening net book amount	4,868	48	744	5,660
Additions	996	–	236	1,232
Depreciation charge	(1,734)	(10)	(196)	(1,940)
Closing net book amount	<u>4,130</u>	<u>38</u>	<u>784</u>	<u>4,952</u>



	Computer and electronic equipment	Office furniture and equipment	Leasehold improvements	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>At 31 December 2020</b>				
Cost	16,692	728	2,149	19,569
Accumulated depreciation	(12,562)	(690)	(1,365)	(14,617)
Net book amount	<u>4,130</u>	<u>38</u>	<u>784</u>	<u>4,952</u>
<b>Year ended 31 December 2021</b>				
Opening net book amount	4,130	38	784	4,952
Additions	1,465	690	4,128	6,283
Disposals	(326)	(31)	(556)	(913)
Depreciation charge	(1,622)	(21)	(305)	(1,948)
Closing net book amount	<u>3,647</u>	<u>676</u>	<u>4,051</u>	<u>8,374</u>
<b>At 31 December 2021</b>				
Cost	11,897	793	4,183	16,873
Accumulated depreciation	(8,250)	(117)	(132)	(8,499)
Net book amount	<u>3,647</u>	<u>676</u>	<u>4,051</u>	<u>8,374</u>

Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	<b>Year ended 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of sales	184	258	189	160
Selling and distribution expenses	290	194	175	201
Administrative expenses	894	690	795	871
Research and development expenses	944	811	781	716
	<u>2,312</u>	<u>1,953</u>	<u>1,940</u>	<u>1,948</u>

No property, plant and equipment was restricted or pledged as security for liabilities as at 31 December 2018, 2019, 2020 and 2021.

## 15 RIGHT-OF-USE ASSETS

	<u>Offices</u>
	<i>RMB'000</i>
<b>At 1 January 2018</b>	
Cost	18,475
Accumulated depreciation	<u>(11,391)</u>
Net book amount	<u><u>7,084</u></u>
<b>Year ended 31 December 2018</b>	
Opening net book amount	7,084
Additions	20,452
Early termination	(618)
Depreciation charge	<u>(8,198)</u>
Closing net book amount	<u><u>18,720</u></u>
<b>At 31 December 2018</b>	
Cost	37,676
Accumulated depreciation	<u>(18,956)</u>
Net book amount	<u><u>18,720</u></u>
<b>Year ended 31 December 2019</b>	
Opening net book amount	18,720
Additions	4,589
Early termination	(562)
Depreciation charge	<u>(9,249)</u>
Closing net book amount	<u><u>13,498</u></u>
<b>At 31 December 2019</b>	
Cost	40,580
Accumulated depreciation	<u>(27,082)</u>
Net book amount	<u><u>13,498</u></u>
<b>Year ended 31 December 2020</b>	
Opening net book amount	13,498
Additions	3,338
Early termination	(872)
Depreciation charge	<u>(8,529)</u>
Closing net book amount	<u><u>7,435</u></u>

	<b>Offices</b>
	<i>RMB'000</i>
<b>At 31 December 2020</b>	
Cost	42,423
Accumulated depreciation	<u>(34,988)</u>
Net book amount	<u><u>7,435</u></u>
<b>Year ended 31 December 2021</b>	
Opening net book amount	7,435
Additions	34,361
Depreciation charge	<u>(9,843)</u>
Closing net book amount	<u><u>31,953</u></u>
<b>At 31 December 2021</b>	
Cost	37,693
Accumulated depreciation	<u>(5,740)</u>
Net book amount	<u><u>31,953</u></u>

Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	<b>Year ended 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of sales	440	372	478	616
Selling and distribution expenses	3,891	4,418	3,703	3,688
Administrative expenses	1,729	2,548	2,474	3,434
Research and development expenses	<u>2,138</u>	<u>1,911</u>	<u>1,874</u>	<u>2,105</u>
	<u><u>8,198</u></u>	<u><u>9,249</u></u>	<u><u>8,529</u></u>	<u><u>9,843</u></u>

No right-of-use assets was restricted or pledged as security for liabilities as at 31 December 2018, 2019, 2020 and 2021.

## 16 INTANGIBLE ASSETS

	<b>Software</b>	<b>Platform</b>	<b>Goodwill</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>(Note (a))</i>	<i>RMB'000</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>At 1 January 2018</b>				
Cost	1,371	–	–	1,371
Accumulated amortisation	(437)	–	–	(437)
Net book amount	934	–	–	934
<b>Year ended 31 December 2018</b>				
Opening net book amount	934	–	–	934
Additions	2,493	–	–	2,493
Acquisition of a subsidiary ( <i>Note 32</i> )	56	2,844	10,490	13,390
Amortisation charge	(890)	(268)	–	(1,158)
Closing net book amount	<u>2,593</u>	<u>2,576</u>	<u>10,490</u>	<u>15,659</u>
<b>At 31 December 2018</b>				
Cost	3,924	2,844	10,490	17,258
Accumulated amortisation	(1,331)	(268)	–	(1,599)
Net book amount	<u>2,593</u>	<u>2,576</u>	<u>10,490</u>	<u>15,659</u>
<b>Year ended 31 December 2019</b>				
Opening net book amount	2,593	2,576	10,490	15,659
Additions	455	–	–	455
Amortisation charge	(933)	(644)	–	(1,577)
Closing net book amount	<u>2,115</u>	<u>1,932</u>	<u>10,490</u>	<u>14,537</u>

	<u>Software</u>	<u>Platform</u>	<u>Goodwill</u> <i>(Note (a))</i>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>At 31 December 2019</b>				
Cost	4,379	2,844	10,490	17,713
Accumulated amortisation	<u>(2,264)</u>	<u>(912)</u>	<u>–</u>	<u>(3,176)</u>
Net book amount	<u>2,115</u>	<u>1,932</u>	<u>10,490</u>	<u>14,537</u>
<b>Year ended 31 December 2020</b>				
Opening net book amount	2,115	1,932	10,490	14,537
Additions	2,570	–	–	2,570
Amortisation charge	<u>(1,356)</u>	<u>(644)</u>	<u>–</u>	<u>(2,000)</u>
Closing net book amount	<u>3,329</u>	<u>1,288</u>	<u>10,490</u>	<u>15,107</u>
<b>At 31 December 2020</b>				
Cost	6,949	2,844	10,490	20,283
Accumulated amortisation	<u>(3,620)</u>	<u>(1,556)</u>	<u>–</u>	<u>(5,176)</u>
Net book amount	<u>3,329</u>	<u>1,288</u>	<u>10,490</u>	<u>15,107</u>
<b>Year ended 31 December 2021</b>				
Opening net book amount	3,329	1,288	10,490	15,107
Additions	803	–	–	803
Amortisation charge	<u>(1,153)</u>	<u>(644)</u>	<u>–</u>	<u>(1,797)</u>
Closing net book amount	<u>2,979</u>	<u>644</u>	<u>10,490</u>	<u>14,113</u>
<b>At 31 December 2021</b>				
Cost	5,044	2,844	10,490	18,378
Accumulated amortisation	<u>(2,065)</u>	<u>(2,200)</u>	<u>–</u>	<u>(4,265)</u>
Net book amount	<u>2,979</u>	<u>644</u>	<u>10,490</u>	<u>14,113</u>

Amortisation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of sales	278	671	671	676
Selling and distribution expenses	–	–	73	121
Administrative expenses	462	507	648	522
Research and development expenses	418	399	608	478
	<u>1,158</u>	<u>1,577</u>	<u>2,000</u>	<u>1,797</u>

No intangible assets was restricted or pledged as security for liabilities as at 31 December 2018, 2019, 2020 and 2021.

(a) **Impairment test for goodwill**

The goodwill of RMB10,490,000 represents the excess of the acquisition consideration transferred and amount of non-controlling interests in Dejiu over the fair value of the net identifiable assets acquired as at the acquisition date, 16 August 2018 (Note 32). Goodwill is monitored by the management at the level of voice and video communication capabilities business CGU related to Dejiu. Goodwill has been assessed based on the related CGU for impairment testing.

The following table sets forth each key assumption on which management has based its 5 years cash flow projections to undertake impairment testing of goodwill as at 31 December 2018, 2019, 2020 and 2021:

	As at 31 December			
	2018	2019	2020	2021
Annual growth rate of revenue during the projection period	5% - 35%	5% - 15%	5% - 15%	5% - 15%
Gross margin during the projection period (% of revenue)	40% - 45%	40% - 45%	45%	50% - 51%
Long term growth rate	3%	3%	3%	3%
Pre-tax discount rate	21%	22%	20%	20%

As at 31 December 2018, 2019, 2020 and 2021, the recoverable amount of the CGU in Dejiu is estimated to exceed the carrying amount of the CGU by approximately RMB41,100,000, RMB15,639,000, RMB53,917,000 and RMB32,221,000. Such recoverable amount of the CGU is determined based on VIU calculations. The calculation requires the Group to estimate the future cash flows expected to arise from CGU and a suitable discount rate in order to calculate the present value.

As at 31 December 2018, 2019, 2020 and 2021, the percentage of headroom in the goodwill impairment test is 61%, 18%, 67% and 35% respectively.

Management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets forth the possible changes to the key assumptions of the impairment test and the changes taken in isolation in the VIU calculations that would remove the remaining headroom respectively as at 31 December 2018, 2019, 2020 and 2021:

	As at 31 December			
	2018	2019	2020	2021
Annual growth rate of revenue during the projection period	–31%	–6%	–85%	–29%
Pre-tax discount rate	+73%	+10%	+122%	+41%

Except for the above changes, management considers that there is no other reasonably possible change in key parameters that would cause the carrying amount of the CGU to exceed its recoverable amount.

By reference to the recoverable amount assessed as at 31 December 2018, 2019, 2020 and 2021, the directors of the Company determined that no impairment provision on goodwill was required as at 31 December 2018, 2019, 2020 and 2021.

## 17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets at amortised cost</b>				
Trade, bill and other receivables (excluding prepayments to suppliers, prepaid taxes and deferred listing expenses) (Note 20)	130,623	170,348	250,275	280,036
Restricted cash (Note 21)	95	9	38	1
Cash and cash equivalents (Note 22)	74,178	43,070	97,077	88,256
	<u>204,896</u>	<u>213,427</u>	<u>347,390</u>	<u>368,293</u>
<b>Financial assets at fair value through profit or loss (Note 19)</b>	25,667	–	30,200	21,476
	<u>230,563</u>	<u>213,427</u>	<u>377,590</u>	<u>389,769</u>
<b>Financial liabilities at amortised cost</b>				
Borrowings (Note 25)	–	39,935	39,512	58,480
Trade and other payables (excluding accrued payroll and other taxes payables) (Note 26)	46,798	39,334	89,749	108,961
Lease liabilities (Note 27)	17,909	13,320	7,660	31,880
	<u>64,707</u>	<u>92,589</u>	<u>136,921</u>	<u>199,321</u>

## 18 CONTRACT FULFILMENT COSTS

	As at 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Contract fulfilment costs	4,075	7,787	7,624	5,587

Contract fulfilment costs mainly comprise the implementation cost directly related to an existing contract that will be used to satisfy performance obligations in the future.

## 19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Wealth management products				
Level 3 (Note (a))	25,667	–	30,200	21,476

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses estimated discounted cash flows to make assumptions.

The different levels have been defined as follows:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

**(a) Financial instruments in level 3**

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The Group uses estimated discounted cash flows to make assumptions.

- (i) The following table presents the changes in level 3 instruments for the years ended 31 December 2018, 2019, 2020 and 2021.

	Year ended 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance	30,153	25,667	–	30,200
Additions	50,000	15,200	111,000	152,500
Gains for the year recognised in profit or loss	1,342	599	539	1,112
Disposal	(55,828)	(41,466)	(81,339)	(162,336)
Closing balance	25,667	–	30,200	21,476
Includes unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period	667	–	200	476



(ii) Quantitative information about fair value measurements using significant unobservable inputs (level 3) is as follows:

	Fair value			Valuation technique	Unobservable input	Range (weighted average)			Relationship of unobservable inputs to fair value
	As at 31 December					As at 31 December			
	2018	2019	2020			2018	2019	2020	
	RMB'000	RMB'000	RMB'000						
Financial assets at fair value through profit or loss									
- Wealth management products	25,667	-	30,200	Discounted cash flow	Expected rate of return	4.08%	-	3.22%	The higher the expected rate of return per annum, the higher the fair value of the wealth management products
			21,476						3.09%

As at 31 December 2018, 2019, 2020 and 2021, a change in expected interest rate per annum by 100 basic point will result in a change in fair value by RMB57,000, nil, RMB17,000 and RMB40,000 respectively.

## 20 TRADE, BILL AND OTHER RECEIVABLES AND PREPAYMENTS

## The Group

	As at 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
– Third parties	126,264	166,087	248,592	278,303
Less: allowance for impairment of trade receivables	(2,740)	(5,150)	(9,345)	(14,050)
	123,524	160,937	239,247	264,253
Bill receivables				
– Third parties	–	354	572	–
Other receivables				
– Third parties (Note (b))	7,201	9,182	10,599	15,957
Less: allowance for impairment of other receivables	(102)	(125)	(143)	(174)
	7,099	9,057	10,456	15,783
Prepayments to suppliers				
– Third parties (Note (c))	38,157	68,561	47,771	86,666
Prepaid taxes	1,310	2,193	1,822	1,990
Deferred listing expenses (Note (d))	–	–	–	956
Total	170,090	241,102	299,868	369,648
Less: non-current portion of prepayments	(481)	(535)	(565)	(336)
Current portion of trade, bill and other receivables and prepayments	<u>169,609</u>	<u>240,567</u>	<u>299,303</u>	<u>369,312</u>

## The Company

Deferred listing expenses (Note (d))	–	–	–	956
Total	<u>–</u>	<u>–</u>	<u>–</u>	<u>956</u>

- (a) As at 31 December 2018, 2019, 2020 and 2021, the trade, bill and other receivables and prepayment were denominated in RMB.
- (b) Other receivables due from third parties mainly represent deposits and tender deposits.
- (c) Prepayments to suppliers mainly represents prepaid telecommunication expenses and other prepaid expenses.

(d) Deferred listing expenses will be deducted from equity upon listing of the Group.

The Group normally allows credit terms to its customers ranging from 30 to 90 days. Ageing analysis of the trade receivables as at 31 December 2018, 2019, 2020 and 2021, based on recognition date were as follows:

	As at 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Ageing</b>				
Up to 3 months	97,620	120,822	188,826	218,343
3 to 6 months	18,744	25,543	35,483	34,833
6 months to 1 year	5,098	13,519	10,889	14,303
1 to 2 years	1,912	2,391	8,157	2,901
Over 2 years	2,890	3,812	5,237	7,923
	<u>126,264</u>	<u>166,087</u>	<u>248,592</u>	<u>278,303</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2018, 2019, 2020 and 2021, a provision of RMB2,740,000, RMB5,150,000, RMB9,345,000 and RMB14,050,000 was made against the gross amounts of trade receivables (Note 3.1.2).

## 21 RESTRICTED CASH

	As at 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Denominated in RMB</b>				
Restricted cash	<u>95</u>	<u>9</u>	<u>38</u>	<u>1</u>

Restricted cash included the security deposits held by banks for issuance of letter of guarantee denominated in RMB.

## 22 CASH AND CASH EQUIVALENTS

	As at 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Denominated in RMB</b>				
Cash at bank	<u>74,178</u>	<u>43,070</u>	<u>97,077</u>	<u>88,256</u>

## 23 SHARE CAPITAL AND SHARE PREMIUM

## (a) Share capital

*The Group and the Company*

	<u>Number of ordinary shares</u>	<u>Share capital</u> <i>US\$'000</i>
<b>Authorised</b>		
As at 26 April 2021 (date of incorporation of the Company) and 31 December 2021	500,000,000	50

Pursuant to the resolutions of the shareholders passed on 15 June 2022, authorised share capital increased to US\$100,000, divided into 1,000,000,000 shares by the creation of additional 500,000,000 shares, all of which shall rank equally in all respects with the existing shares in issue with immediate effect. No share issued by the Group after 31 December 2021 and up to the date of this report.

	<u>Number of ordinary shares</u>	<u>Share capital</u> <i>US\$'000</i>	<u>Equivalent share capital</u> <i>RMB'000</i>
<b>Issued</b>			
As at 26 April 2021 (date of incorporation of the Company)	1,000	–	–
Issue of ordinary shares to the shareholders of the Company	52,592,000	5	34
As at 31 December 2021	52,593,000	5	34

## (b) Share premium

*The Group and the Company*

	<u>Share premium</u> <i>RMB'000</i>
As at 26 April 2021 (date of incorporation of the Company)	–
Completion of the Reorganisation ( <i>Note 24(e)</i> )	269,292
As at 31 December 2021	269,292

## 24 OTHER RESERVES

	Combined capital reserves	Capital reserves	Merger reserves	Statutory reserves	Total reserves
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2018</b> (Note (a))	50,870	154,110	–	136	205,116
Appropriation of statutory reserves	–	–	–	121	121
Capital contribution from owners (Note 32)	224	6,395	–	–	6,619
<b>At 31 December 2018</b>	<b>51,094</b>	<b>160,505</b>	<b>–</b>	<b>257</b>	<b>211,856</b>
<b>At 1 January 2019</b>	51,094	160,505	–	257	211,856
Appropriation of statutory reserves	–	–	–	794	794
Capital contribution from owners (Note (b))	6	180	–	–	186
Capital withdrawal from owners (Note (c))	(1,099)	(30,296)	–	–	(31,395)
<b>At 31 December 2019</b>	<b>50,001</b>	<b>130,389</b>	<b>–</b>	<b>1,051</b>	<b>181,441</b>
<b>At 1 January 2020</b>	50,001	130,389	–	1,051	181,441
Appropriation of statutory reserves	–	–	–	2,146	2,146
Capital contribution from owners (Note (d))	2,592	59,590	–	–	62,182
<b>At 31 December 2020</b>	<b>52,593</b>	<b>189,979</b>	<b>–</b>	<b>3,197</b>	<b>245,769</b>
<b>At 1 January 2021</b>	52,593	189,979	–	3,197	245,769
Appropriation of statutory reserves	–	–	–	3,629	3,629
Completion of the Reorganisation (Note (e))	(52,593)	(189,979)	(26,720)	–	(269,292)
<b>At 31 December 2021</b>	<b>–</b>	<b>–</b>	<b>(26,720)</b>	<b>6,826</b>	<b>(19,894)</b>

- (a) As at 1 January 2018, the other reserves mainly comprised the capital contribution from the combined capital and capital reserves of the subsidiaries.
- (b) On 25 August 2019, Xuan Wu issued 1,815 shares, 1,602 shares, 1,192 shares, 991 shares and 600 shares at fair value to five original shareholders respectively, of which RMB6,000 was credited to the combined capital of the Group and the remaining RMB180,000 was credited to its capital reserve.
- (c) On 28 May 2019, Xuan Wu delisted from National Equities Exchange and Quotations, and in June 2019, seven shareholders withdrew 401,000 shares, 301,000 shares, 194,000 shares, 192,000 shares, 5,000 shares, 4,000 shares and 2,000 shares at fair value from Xuan Wu respectively, of which RMB1,099,000 was charged to the combined capital of the Group and the remaining RMB30,296,000 was charged to its capital reserve.
- (d) From 1 September 2020 to 10 September 2020, Xuan Wu issued 1,250,000 shares, 1,000,000 shares, 310,000 shares and 32,000 shares at fair value to four independent third parties respectively, of which RMB2,592,000 was credited to the combined capital of the Group and the remaining RMB59,590,000 was credited to its capital reserve.
- (e) Merger reserve of RMB26,720,000 was arising from the Reorganisation represented the excess of the aggregate net asset values of RMB269,292,000 of the Listing Business over the consideration of RMB242,572,000 (included RMB52,593,000 of combined capital and RMB189,979,000 of the capital reserves) pursuant to the Reorganisation.

## 25 BORROWINGS

	As at 31 December			
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current</b>				
Bank borrowings	–	39,935	39,512	58,480

(a) All bank borrowings were guaranteed by certain shareholders. Such guarantees provided by certain shareholders will be replaced by corporate guarantee before or upon the Listing.

(b) As at 31 December 2018, 2019, 2020 and 2021, the borrowings were repayable as follows:

	As at 31 December			
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	–	39,935	39,512	58,480

(c) The weighted average effective interest rates per annum of borrowings were as follows:

	As at 31 December			
	2018	2019	2020	2021
	Bank borrowings	–	4.08%	2.79%

(d) The amounts of unused banking facilities as at 31 December 2018, 2019, 2020 and 2021 are RMB30,000,000, nil, RMB20,000,000 and RMB65,000,000.

(e) As at 31 December 2018, 2019, 2020 and 2021, all borrowings were denominated in RMB. Due to the short-term maturities, their carrying amount is considered to be the same as their fair value.

## 26 TRADE AND OTHER PAYABLES

## The Group

	As at 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
– Third parties ( <i>Note (a)</i> )	31,326	33,454	83,091	94,133
Other payables				
– Related parties ( <i>Note 33</i> )	2,580	–	5	–
– Third parties	2,673	5,880	6,653	14,828
	5,253	5,880	6,658	14,828
Accrued payroll	25,480	25,096	21,496	25,621
Other tax payables	1,502	1,922	3,826	3,793
Dividend payables	10,219	–	–	–
	37,201	27,018	25,322	29,414
	73,780	66,352	115,071	138,375

## The Company

Other payables				
– Subsidiary	–	–	–	12,261
– Third parties	–	–	–	5,177
	–	–	–	17,438

- (a) Trade payable due to third parties mainly represents telecommunication expenses payables and server rental fees payables.

As at 31 December 2018, 2019, 2020 and 2021, the ageing analysis of the trade payables based on recognition date are as follows:

	As at 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Ageing</b>				
Up to 3 months	30,199	29,425	76,775	86,604
3 to 6 months	128	2,457	3,950	899
Over 6 months	999	1,572	2,366	6,630
	31,326	33,454	83,091	94,133

## 27 LEASES

## (a) Amounts recognised in the consolidated statements of financial position

	As at 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Right-of-use assets</b>				
Properties (Note 15)	18,720	13,498	7,435	31,953
<b>Lease liabilities</b>				
Current	6,308	7,129	7,391	7,644
Non-current	11,601	6,191	269	24,236
	17,909	13,320	7,660	31,880

## (b) Amounts recognised in the consolidated statements of comprehensive income

	Year ended 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation charge Properties (Note 15)	8,198	9,249	8,529	9,843
Interest expenses (included in finance cost) (Note 11)	328	894	557	634
Expenses relating to short-term leases (included in selling and marketing expense and administrative expenses) (Note 7)	492	327	55	115
Cash outflows for lease payments	9,844	9,818	8,714	10,890

## (c) The Group's leasing activities and how these are accounted for

The Group leases certain offices. Rental contracts for offices are typically made for fixed periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leased assets may not be used as security for borrowing purposes.

## (d) Extension and termination options

No termination and extension options are included in the leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations.



## 28 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same tax authority.

The amounts are shown on the consolidated statements of financial position as follows:

	As at 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Deferred income tax assets:</b>				
– to be recovered after more than 12 months	680	2,535	4,248	6,445
– to be recovered within 12 months	416	1,210	1,389	2,180
– Set-off of deferred income tax liabilities pursuant to set-off provisions	(395)	(132)	(60)	(161)
	<u>701</u>	<u>3,613</u>	<u>5,577</u>	<u>8,464</u>
<b>Deferred income tax liabilities:</b>				
– to be recovered after more than 12 months	(190)	(127)	(64)	–
– to be recovered within 12 months	(343)	(155)	(109)	(193)
– Set-off of deferred income tax liabilities pursuant to set-off provisions	395	132	60	161
	<u>(138)</u>	<u>(150)</u>	<u>(113)</u>	<u>(32)</u>
	<u>563</u>	<u>3,463</u>	<u>5,464</u>	<u>8,432</u>

The movement in deferred income tax assets during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Allowance on doubtful debts	Tax losses	Total
	RMB'000	RMB'000	RMB'000
<b>As at 1 January 2018</b>	49	–	49
Acquisition of a subsidiary (Note 32)	–	285	285
Credited to profit or loss	367	395	762
<b>As at 31 December 2018</b>	<u>416</u>	<u>680</u>	<u>1,096</u>
<b>As at 1 January 2019</b>	416	680	1,096
Credited to profit or loss	361	2,288	2,649
<b>As at 31 December 2019</b>	<u>777</u>	<u>2,968</u>	<u>3,745</u>

	<b>Allowance on doubtful debts</b>	<b>Tax losses</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 1 January 2020</b>	777	2,968	3,745
Credited to profit or loss	<u>613</u>	<u>1,279</u>	<u>1,892</u>
<b>As at 31 December 2020</b>	<u><b>1,390</b></u>	<u><b>4,247</b></u>	<u><b>5,637</b></u>
<b>As at 1 January 2021</b>	1,390	4,247	5,637
Credited to profit or loss	<u>789</u>	<u>2,199</u>	<u>2,988</u>
<b>As at 31 December 2021</b>	<u><b>2,179</b></u>	<u><b>6,446</b></u>	<u><b>8,625</b></u>

As at 31 December 2018, 2019, 2020 and 2021, in accordance with the accounting policy set out in Note 2.19(b), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB10,507,000, RMB11,727,000, RMB10,461,000 and RMB19,232,000, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses shall expire in five years from year of occurrence under current tax legislation, details are as follow.

	<b>As at 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Expiry year</b>				
2019	462	–	–	–
2020	2,030	2,011	–	–
2021	1,184	204	204	–
2022	851	543	283	283
2023	5,980	4,901	2,842	2,842
2024	–	4,068	2,938	2,515
2025	–	–	4,194	3,889
2026	–	–	–	9,703
	<u><b>10,507</b></u>	<u><b>11,727</b></u>	<u><b>10,461</b></u>	<u><b>19,232</b></u>

The movement in deferred income tax liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Net of right-of use assets and lease liabilities	Net fair value gain on investments in financial assets at fair value through profit or loss	Revaluation surplus arising from business combinations	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 1 January 2018</b>	4	(23)	–	(19)
Acquisition of a subsidiary (Note 32)	–	–	(280)	(280)
(Charged)/credited to profit or loss	(184)	(77)	27	(234)
<b>As at 31 December 2018</b>	<u>(180)</u>	<u>(100)</u>	<u>(253)</u>	<u>(533)</u>
<b>As at 1 January 2019</b>	(180)	(100)	(253)	(533)
Credited to profit or loss	88	100	63	251
<b>As at 31 December 2019</b>	<u>(92)</u>	<u>–</u>	<u>(190)</u>	<u>(282)</u>
<b>As at 1 January 2020</b>	(92)	–	(190)	(282)
Credited/(Charged) to profit or loss	76	(30)	63	109
<b>As at 31 December 2020</b>	<u>(16)</u>	<u>(30)</u>	<u>(127)</u>	<u>(173)</u>
<b>As at 1 January 2021</b>	(16)	(30)	(127)	(173)
(Charged)/credited to profit or loss	(43)	(41)	64	(20)
<b>As at 31 December 2021</b>	<u>(59)</u>	<u>(71)</u>	<u>(63)</u>	<u>(193)</u>

As at 31 December 2018 and 2019, no deferred income tax liabilities for the withholding tax as there was accumulated losses of the subsidiaries in the PRC.

As at 31 December 2020 and 2021, deferred income tax liabilities of RMB2,509,000 and RMB3,597,000 have not been recognised for the withholding tax that would be payable on the unremitted earnings of subsidiaries in the PRC based on the profits for the year ended 31 December 2020 and 2021, respectively. Deferred income tax liability is not recognised where the timing of the reversal of the temporary difference is controlled by the Group and the directors have confirmed that such earnings will not be distributed out of the PRC in the foreseeable future.

## 29 DIVIDEND

No dividend has been declared by the Company since its incorporation.

The dividend declared by the subsidiaries now comprising the Group to their shareholders during the years ended 31 December 2018, 2019, 2020 and 2021 were as follows:

	As at 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Dividends	20,393	-	-	-

## 30 CASH FLOW INFORMATION

## (a) Cash generated from/(used in) operations

	Year ended 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax	30,545	10,581	27,358	12,480
Adjustments for:				
– Depreciation of property, plant and equipment (Note 14)	2,312	1,953	1,940	1,948
– Depreciation of right-of-use assets (Note 15)	8,198	9,249	8,529	9,843
– Amortisation of intangible assets (Note 16)	1,158	1,577	2,000	1,797
– Net impairment losses on financial assets (Note 3.1.2)	2,464	2,888	4,342	5,370
– Losses on disposal of property, plant and equipment (Note 10)	-	-	-	913
– Net gains from early termination of lease agreements and derecognition of right-of-use assets (Note 10)	(17)	(19)	(24)	-
– Net fair value gains on investment in financial assets at fair value through profit or loss (Note 10)	(1,342)	(599)	(539)	(1,209)
– Finance (income)/costs – net (Note 11)	(113)	1,375	2,305	1,827
	43,205	27,005	45,911	32,969
Changes in working capital:				
– Contract fulfilment cost	(3,194)	(3,712)	163	2,037
– Contract assets	(15)	(109)	(256)	279
– Trade, bill and other receivables and prepayments	(22,406)	(73,808)	(62,991)	(74,272)
– Contract liabilities	6,000	4,996	4,743	(2,097)
– Trade and other payables	1,964	5,371	48,714	22,937
– Restricted Cash	(87)	86	(29)	37
Cash generated from/(used in) operations	25,467	(40,171)	36,255	(18,110)

## (b) Reconciliation of liabilities generated from financing activities

	Borrowings due within 1 year	Leases liabilities	Dividends payable	Other payables – related parties	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 1 January 2018</b>	–	7,116	–	–	7,116
Cash flows					
– Inflow from financing activities	–	–	–	2,580	2,580
– Outflow from financing activities	–	(9,352)	(10,174)	–	(19,526)
Non-cash changes					
– Acquisition – leases	–	20,452	–	–	20,452
– Finance expense recognised	–	328	–	–	328
– Decrease from early termination of lease agreements	–	(635)	–	–	(635)
– Accrued dividend	–	–	20,393	–	20,393
<b>As at 31 December 2018</b>	–	17,909	10,219	2,580	30,708
<b>As at 1 January 2019</b>	–	17,909	10,219	2,580	30,708
Cash flows					
– Inflow from financing activities	59,890	–	–	–	59,890
– Outflow from financing activities	(20,815)	(9,491)	(10,219)	(2,580)	(43,105)
Non-cash changes					
– Acquisition – leases	–	4,589	–	–	4,589
– Finance expense recognised	–	894	–	–	894
– Decrease from early termination of lease agreements	–	(581)	–	–	(581)
– Accrued dividend	860	–	–	–	860
<b>As at 31 December 2019</b>	39,935	13,320	–	–	53,255
<b>As at 1 January 2020</b>	39,935	13,320	–	–	53,255
Cash flows					
– Inflow from financing activities	102,240	–	–	5	102,245
– Outflow from financing activities	(105,117)	(8,659)	–	–	(113,776)
Non-cash changes					
– Acquisition – leases	–	3,338	–	–	3,338
– Finance expense recognised	–	557	–	–	557
– Decrease from early termination of lease agreements	–	(896)	–	–	(896)
– Accrued interest	2,454	–	–	–	2,454
<b>As at 31 December 2020</b>	39,512	7,660	–	5	47,177
<b>As at 1 January 2021</b>	39,512	7,660	–	5	47,177
Cash flows					
– Inflow from financing activities	88,258	–	–	125	88,383
– Outflow from financing activities	(71,233)	(10,775)	–	(130)	(82,138)
Non-cash changes					
– Acquisition – leases	–	34,361	–	–	34,361
– Finance expense recognised	–	634	–	–	634
– Accrued interest	1,943	–	–	–	1,943
<b>As at 31 December 2021</b>	58,480	31,880	–	–	90,360

## 31 COMMITMENTS

(a) The Group did not have any material capital commitments or operating leases commitments as at 31 December 2018, 2019, 2020 and 2021.

## (b) Contingencies

The Group did not have any material contingent liabilities as at 31 December 2018, 2019, 2020 and 2021.

## 32 BUSINESS COMBINATION

During the year ended 31 December 2018, the Group acquired Dejiu from an independent third party. The acquired company's principal activities are provision of voice and video communication capabilities services in the PRC.

On 16 August 2018, Xuan Wu completed its acquisition of 70% equity interests in Dejiu from a third party at a consideration of RMB11,619,000, of which RMB5,000,000 was settled in cash and RMB6,619,000 was settled by issuance of 224,000 shares of Xuan Wu at fair value. Total identifiable net assets of Dejiu amounted to RMB1,613,000. The excess of the consideration transferred over the fair value of the identifiable net assets acquired was recorded as goodwill.

The following table summarises the considerations paid for acquisition of the subsidiary, the fair value of assets acquired and liabilities assumed at the acquisition date.

## (a) Summary of acquisition

	<b>As at the date of the acquisition</b>
	<i>RMB'000</i>
Purchase considerations – cash	5,000
Purchase considerations – shares	6,619
	<u>11,619</u>
	<b>Fair Value</b>
	<i>RMB'000</i>
Property, plant and equipment	123
Intangible assets	2,900
Deferred income tax assets	285
Trade and other receivables and prepayments	1,956
Cash and cash equivalents	1,033
Deferred income tax liabilities	(280)
Trade and other payables	(4,103)
Contract liabilities	(301)
	<u>1,613</u>
Net identifiable assets acquired	1,613
Less: non-controlling interests	(484)
	<u>1,129</u>
Net assets acquired	1,129
Goodwill ( <i>Note 16</i> )	<u>10,490</u>

*(i) Acquired receivables*

The fair value of acquired trade and other receivables was equal to its gross contractual amounts receivable. At the acquisition date, none of such balance was expected to be uncollectible.

*(ii) Accounting policy choice for non-controlling interests*

The Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

*(iii) Goodwill*

Goodwill of RMB10,490,000 arose from a number of factors. Significant elements include expected synergies through combining a highly skilled workforce and obtaining economies of scale. None of the goodwill recognised is expected to be deductible for income tax purposes.

*(iv) Revenue and profit contribution*

The acquired business contributed revenues of RMB19,797,000 and net losses of RMB693,000 to the Group for the period from the acquisition date to 31 December 2018. If the acquisition had occurred on 1 January 2018, the proforma consolidated revenue and consolidated profit after tax for the year ended 31 December 2018 of the Group would have been RMB523,717,000 and RMB28,788,000, respectively.

**(b) Purchase consideration – cash outflow**

	<b>Year ended 31 December 2018</b>
	<u>RMB'000</u>
Outflow of cash to acquire subsidiary, net of cash acquired:	
Cash consideration	5,000
Less: cash and bank balance acquired	<u>(1,033)</u>
Net inflow of cash – investing activities	<u><u>3,967</u></u>

## 33 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subjected to common control. Members of key management and their close family members of the Group are also considered as related parties.

## (a) Name and relationship with related parties

Name	Relationship with the Group
Mr. Chen 陳永輝	Controlling shareholder of the Company
Mr. Huang 黃仿傑	Controlling shareholder of the Company
Mr. Li 李海榮	Controlling shareholder of the Company
Mr. Song 宋小虎	Shareholder of the Company
Mr. Xie 謝樂軍	Shareholder of the Company
Mr. Luo Zhijian ("Mr. Luo") 羅志堅	Non-controlling shareholder of a subsidiary
Zhenghao Global	A company controlled by Mr. Chen
Honghan Worldwide	A company controlled by Mr. Huang
Double Winner	A company controlled by Mr. Li

\* *The English name of the related parties represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.*

## (b) Key management compensation

Compensations for key management other than those for directors and as disclosed in Note 34 is set out below.

	Year ended 31 December			
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other short-term employee benefits	2,846	2,724	2,913	3,358

## (c) Balances with related parties

## The Group

	As at 31 December			
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other payables				
– Mr. Luo	2,580	–	5	–

The other payables due to related parties are non-trade in nature, unsecured, interest-free and repayable on demand.



## (d) Financial guarantees provided from shareholders

	As at 31 December			
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Guarantees</b>				
– Mr. Chen, Mr. Song, Mr. Huang, Mr. Li and Mr. Xie	–	39,935	39,512	58,480

Such guarantees provided by certain shareholders will be replaced by corporate guarantee before or upon the Listing.

## 34 BENEFITS AND INTERESTS OF DIRECTORS

## (a) Directors' emoluments

Mr. Xu Xin, the director was appointed on 11 August 2021 and re-designated as non-executive director on 15 June 2022 and did not receive any emoluments in respect of his services rendered for the Group for the Track Record Period.

Mr. Du Jianqing, Ms. Wu Ruifeng and Prof. Wu Jintao, the independent non-executive directors were appointed on 15 June 2022 and did not receive any emoluments in respect of their services rendered for the Group for the Track Record Period.

Mr. Chen, the director, was appointed on 26 April 2021 and re-designated as the chairman, chief executive officer and executive director on 15 June 2022. Mr. Huang, Mr. Li and Mr. Guo, the directors were appointed on 11 August 2021 and re-designated as the executive directors on 15 June 2022.

The executive directors received emoluments from the Group (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) for the year ended 31 December 2018 as follows:

Name	Fees	Salaries	Housing allowance and contributions to a retirement benefit scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Executive Directors</b>				
– Mr. Chen	–	503	10	513
– Mr. Huang	–	456	10	466
– Mr. Li	–	505	10	515
– Mr. Guo	–	595	24	619
	–	2,059	54	2,113

The executive directors received emoluments from the Group (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) for the year ended 31 December 2019 as follows:

Name	Fees	Salaries	Housing allowance and contributions to a retirement benefit scheme	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Executive Directors</b>				
- Mr. Chen	-	415	11	426
- Mr. Huang	-	422	11	433
- Mr. Li	-	458	11	469
- Mr. Guo	-	853	26	879
	-	2,148	59	2,207
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The executive directors received emoluments from the Group (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) for the year ended 31 December 2020 as follows:

Name	Fees	Salaries	Housing allowance and contributions to a retirement benefit scheme	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Executive Directors</b>				
- Mr. Chen	-	396	18	414
- Mr. Huang	-	384	9	393
- Mr. Li	-	386	9	395
- Mr. Guo	-	906	27	933
	-	2,072	63	2,135
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The executive directors received emoluments from the Group (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) for the year ended 31 December 2021 as follows:

Name	Fees	Salaries	Housing allowance and contributions to a retirement benefit scheme	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Executive Directors</b>				
- Mr. Chen	-	618	30	648
- Mr. Huang	-	599	13	612
- Mr. Li	-	613	13	626
- Mr. Guo	-	919	31	950
	-	2,749	87	2,836
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**(b) Directors' retirement benefits and termination benefits**

During the Track Record Period, there were no termination benefit nor no additional retirement benefit received by the directors except for the attributions to a retirement benefit scheme in accordance with the rules and regulations in the PRC.

**(c) Consideration provided to third parties for making available directors' services**

During the Track Record Period, the Group did not pay consideration to any third parties for making available directors' services.

**(d) Information about loans, quasi-loans and other dealings in favour of director, controlled bodies corporate by and connected entities with such director**

During the Track Record Period, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries of the Company, where applicable, in favour of director.

**(e) Directors' material interest 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 as at 31 December 2018, 2019, 2020 and 2021 or at any time during the Track Record Period.

**35 EVENT AFTER THE BALANCE SHEET DATE**

Since the outbreak of Coronavirus Disease 2019, a series of precautionary and control measures have been and continued to be implemented across the PRC, the Company has actively responded to and strictly implemented various regulations and requirements of the PRC government at all levels for virus epidemic prevention and controls. To ensure both epidemic prevention and production, the Company and its subsidiaries have deployed strict internal management measures to implement epidemic prevention work. As of the date of this report, no significant adverse impact has been found.

**III. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2021.

<b>APPENDIX II</b>	<b>UNAUDITED PRO FORMA FINANCIAL INFORMATION</b>
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The information set out in this Appendix II does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, the reporting accountant of our Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purpose only. The unaudited pro forma financial information should be read in conjunction with the sections headed "Financial Information" and "Appendix I — Accountant's Report" in this prospectus.

### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering on the net tangible assets of our Group attributable to the owners of the Company as at 31 December 2021 as if the Global Offering had taken place on 31 December 2021.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 December 2021 or at any future dates following the Global Offering.

	Audited consolidated net tangible assets attributable to owners of the Company as at 31 December 2021 <i>(Note 1)</i> RMB'000	Estimated net proceeds from the Global Offering <i>(Note 2)</i> RMB'000	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 31 December 2021 RMB'000	Unaudited pro forma adjusted consolidated net tangible assets per Share <i>(Notes 3 &amp; 4)</i> RMB                      HK\$	
Based on an Offer Price of HK\$4.93 per Share	271,518	115,995	387,513	0.69	0.84
Based on an Offer Price of HK\$6.91 per Share	271,518	167,984	439,502	0.78	0.96

*Notes:*

- (1) The audited consolidated net tangible assets attributable to owners of the Company as at 31 December 2021 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated equity attributable to owners of the Company as at 31 December 2021 of approximately RMB285,401,000, with an adjustment for the intangible assets attributable to the owners of the Company as at 31 December 2021 of approximately RMB13,883,000.
- (2) The estimated net proceeds from the Global Offering are based on 34,390,500 Shares and the indicative Offer Price of HK\$4.93 and HK\$6.91 per Share after deduction of the estimated underwriting fees and other related expenses payable by us, excluding listing expenses of approximately RMB15,617,000 which has been accounted for in the consolidated statement of comprehensive income up to 31 December 2021, and takes no account of any shares which may be issued upon the exercise of the Over-allotment Option.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 560,320,500 Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.0 to RMB0.8166. No representation is made that Renminbi amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.
- (5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2021.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

## INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

### To the Directors of Xuan Wu Cloud Technology Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Xuan Wu Cloud Technology Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 December 2021 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 24 June 2022, in connection with the proposed initial public offering of the shares of the Company (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 31 December 2021 and as if the proposed initial public offering had taken place at 31 December 2021. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the year ended 31 December 2021, on which an accountant's report has been published.

### Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*, ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### *Reporting Accountant's Responsibilities*

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 December 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practises generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practises.

### **Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 24 June 2022



Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of the Cayman Islands Companies Act.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 26 April 2021 under the Cayman Islands Companies Act. Our Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

## 1. MEMORANDUM OF ASSOCIATION

The Memorandum was conditionally adopted on 15 June 2022 with effect from the Listing Date. The following is a summary of certain provisions of the Memorandum.

- (a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Cayman Islands Companies Act and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) Our Company may by supermajority resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 15 June 2022 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

### (a) Shares

#### (i) *Classes of shares*

The share capital of our Company consists of ordinary shares.

#### (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Cayman Islands Companies Act, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares of that class or with the sanction of a supermajority resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting

the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding (or in the case of a Shareholder being a corporation, by its duly authorised representative) or representing by proxy holding not less than one-third of the issued shares of that class and at any adjourned meeting two holders present in person (or in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

*(iii) Alteration of capital*

Our Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate or divide all or any of its capital into shares of larger amount or smaller amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum;
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled;
- (vi) make provision for the issue and allotment of shares which do not carry any voting rights;
- (vii) change the currency of denomination of its share capital; and
- (viii) reduce its share premium account in any manner authorized, and subject to any conditions prescribed by law.

Our Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

*(iv) Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Stock Exchange or in such other form as the Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Cayman Islands Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed 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 transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The Board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The Board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to our Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require 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 registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the Board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of our Company.

*(v) Power of our Company to purchase its own shares*

Our Company is empowered by the Cayman Islands Companies Act and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where our Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by our Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The Board may accept the surrender for no consideration of any fully paid share.

*(vi) Power of any subsidiary of our Company to own shares in our Company*

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The Board may from time to time make such calls 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). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the Board may agree to accept from the day appointed for the payment thereof 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 monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our 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 the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the Board determines.

**(b) Directors**

*(i) Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office 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 will (unless they otherwise agree among themselves) be determined by the lot.

Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed to fill a casual vacancy shall hold office until the next first annual general meeting of members after his appointment and shall then be eligible for re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next first annual general meeting of our Company after his appointment and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of our Company's shareholders before the expiration of his term of office (including a managing director or other executive director, but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and members of our Company may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally; or
- (bb) he dies or is declared to be of unsound mind and the Board resolves that his office be vacated; or
- (cc) without special leave, is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated; or
- (dd) he is prohibited by law from acting as a director or he ceases to be a director by operation of law; or
- (ee) he has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (ff) he resigns; or
- (gg) he is removed from office by an Ordinary Resolution of our Company's shareholders or otherwise pursuant to the Articles; or
- (hh) he is removed from office by notice in writing served on him signed by not less than three-fourth in number (or if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

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 our 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 delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time 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 must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

*(ii) Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman Islands Companies Act, the Listing Rules and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of our Company or the holder thereof, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or securities in the capital of our Company on such terms as it may determine.

Subject to the provisions of the Cayman Islands Companies Act and the Articles and, where applicable, the rules of the Stock Exchange 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 our Company are at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither our Company nor the Board is 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 with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(iii) Power to dispose of the assets of our Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Cayman Islands Companies Act to be exercised or done by our Company in general meeting.

*(iv) Borrowing powers*

The Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of our Company and, subject to the Cayman Islands Companies Act, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

*(v) Remuneration*

The ordinary remuneration of the Directors is to be determined by our Company in general meeting or by the Board, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any Board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration as the Board may determine and such extra remuneration shall be 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 may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our 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 ex-Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependants or any class or classes of such persons.



The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vi) Compensation or payments for loss of office*

Pursuant to the Articles, payments to any 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 entitled) must be approved by our Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

Our Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance as if our Company were a company incorporated in Hong Kong.

*(viii) Disclosure of interests in contracts with our Company or any of its subsidiaries*

A Director may hold any other office or place of profit with our Company (except that of the auditor of our 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 therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, 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 our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company must declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of our Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

**(c) Proceedings of the Board**

The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. 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 an additional or casting vote.

**(d) Alterations to constitutional documents and our Company's name**

The Articles may be rescinded, altered or amended by our Company in general meeting by supermajority resolution. The Articles state that a supermajority resolution shall be required to alter the provisions of the Memorandum and to amend the Articles. A special resolution shall be required to change the name of our Company.

**(e) Meetings of members**

**(i) *Supermajority, special and ordinary resolutions***

A supermajority resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

A special resolution of our Company must be passed by a majority of not less than two-thirds of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Cayman Islands Companies Act, a copy of any supermajority resolution or special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

*(ii) Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting 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 fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that 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.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company (including but not limited to any general meeting and creditors meeting) 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 pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including the right to speak and vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

Shareholders must have the right to: (a) speak at general meetings of our Company; and (b) vote at a general meeting except whether a shareholder is required, by the Listing Rules, to abstain from voting to approve the matter under consideration. Where our Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

*(iii) Annual general meetings and extraordinary general meeting*

Other than the year of our Company's adoption of the Articles, in each year during the period commencing from the Listing Date and including the date immediately before the Listing Date, our Company shall hold a general meeting as its annual general meeting within six months after the end of each financial year in addition to any other meeting in that year and shall specify the meeting as such in the notice calling it.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of our Company having the right of voting at general meetings of our Company on a one vote per share basis, and the foregoing Shareholders shall be able to add resolutions to the meeting agenda. Such requisition shall be made in writing to the Board or the secretary 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 2 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/herself (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 our Company.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting must be called by notice in writing of not less than twenty-one (21) days. All other general meetings must be called by notice of at least fourteen (14) days. The notice is 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 and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to, among others, the auditors for the time being of our Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of our Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange and the terms equivalent to section 632 of the Companies Ordinance. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by our Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
  - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
  - (cc) the election of directors in place of those retiring;
  - (dd) the appointment of auditors and other officers; and
  - (ee) the fixing of the remuneration of the directors and of the auditors.
- (v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third of the issued shares of that class.

*(vi) Proxies*

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, every member being a corporation shall be entitled to appoint a representative to attend and vote at any general meeting of our Company and, where a corporation is so represented, it shall be treated as being present at any meeting in person. A corporation may execute a form of proxy under the hand of a duly authorized officer and such a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. On a poll or a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(f) Accounts and audit**

The Board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Cayman Islands Companies Act or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records shall be kept at the head office 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 accounting record or book or document of our Company except as conferred by law or authorised by the Board or our Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with

all applicable laws, including the rules of the Stock Exchange, our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of our Company and such auditor shall hold office until the next annual general meeting. The Board may fill any casual vacancy in the office of, but while any such vacancy continues the surviving or continuing auditor (if any) may act. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditors at any time before the expiration of his term of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The appointment, removal and remuneration of the auditors must be approved by ordinary resolution of our Company's shareholders in any meeting or by other body that is independent of the Board.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

**(g) Dividends and other methods of distribution**

Our 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.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Cayman Islands Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.



Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the Board may further resolve either (a) 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 shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders 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.

Our Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or our 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.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

**(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open for inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the Board, at the registered office or such other place at which the register is kept in accordance with the Cayman Islands Companies Act or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the Board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix III.

**(j) Procedures on liquidation**

Our Company may at any time and from time to time be wound up voluntarily by a supermajority resolution. If our Company shall be wound up the liquidator shall apply the assets of the Company in such manner and order as he thinks fit in satisfaction of creditors' claims.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if our Company is wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if our Company is wound up and the assets available for distribution amongst the members as such shall be 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, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a supermajority resolution and any other sanction required by the Cayman Islands Companies Act divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of 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 divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Cayman Islands Companies Act, if warrants to subscribe for shares have been issued by our Company and our 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 a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**3. CAYMAN ISLANDS COMPANIES ACT**

Our Company is incorporated in the Cayman Islands subject to the Cayman Islands Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Islands Companies Act and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar (for the avoidance of doubt, special resolution used in the below summary shall have the meaning as set out in the Cayman Islands Companies Act):

**(a) Company operations**

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. An exempted company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

The Cayman Islands Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the 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 arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Cayman Islands Companies Act provides that the share premium account may be applied by a company subject to the provisions, if any, of its memorandum and articles of association in (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) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Islands 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.

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.

The Cayman Islands Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), 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, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Cayman Islands Companies Act expressly provides that 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. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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. 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 purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Cayman Islands Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

The Cayman Islands Companies Act permits, subject to a solvency test and the provisions, if any, of a company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of a company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having 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 into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder 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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by a company's memorandum and articles of association.

**(g) Disposal of assets**

The Cayman Islands Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

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.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to the Tax Concessions Act of the Cayman Islands, our Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and

- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable (i) on or in respect of the shares, debentures or other obligations of our Company; or (ii) by way of the withholding in whole or in part of any relevant payment as defined in the Tax Concessions Act.

The undertaking for our Company is for a period of twenty years from 18 March 2022.

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 our 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 executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Cayman Islands Companies Act prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of a company have no general right under the Cayman Islands Companies Act 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.

**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Cayman Islands Companies Act required or permitted to be kept. A company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.



There is no requirement under the Cayman Islands Companies Act for an exempted company to make any returns of members to the Registrar of Companies of 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 members, 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 of the Cayman Islands.

**(o) Register of Directors and Officers**

A company is required to maintain at its registered office a register of directors and officers which is not available on display. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

**(p) Beneficial Ownership Register**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands.

Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of a company are listed on the Stock Exchange, the company is not required to maintain a beneficial ownership register.

**(q) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the

petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must 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.

As soon as the affairs of the 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 how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

**(r) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is 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 transactions were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

**(s) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder 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 shareholders.

**(t) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**(u) Economic Substance Requirements**

Pursuant to the International Tax Cooperation (Economic Substance) Act (2021 Revision) of the Cayman Islands ("ES Act") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is our Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as our Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

**4. GENERAL**

Ogier, our Company's legal counsel as to Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands Companies Act. This letter, together with a copy of the Cayman Islands Companies Act, is available on display as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies and Documents on Display — Documents on Display" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands 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.

**A. FURTHER INFORMATION ABOUT OUR COMPANY AND SUBSIDIARIES****1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 26 April 2021. Our registered office is at 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands. Accordingly, our Company's corporate structure and Articles of Association are subject to the relevant laws of the Cayman Islands. For details, please refer to the paragraph headed "Summary of the constitution of the Company and Cayman Islands Companies Act — 2. Articles of Association" in Appendix III to this prospectus for a summary of our Articles of Association.

Our principal place of business in Hong Kong is 4/F, Jardine House, 1 Connaught Place, Central, Hong Kong. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 23 June 2021 with the Registrar of Companies in Hong Kong. Ms. Chan Hei Man has been appointed as the authorised representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process or notice is 4/F, Jardine House, 1 Connaught Place, Central, Hong Kong.

Our Company's head office is located at No. 6383, Flat 501, No. 1021 Gaopu Road, Tianhe District, Guangzhou, Guangdong, PRC.

**2. Changes in share capital of our Company**

As at the date of our incorporation, the authorised share capital of our Company was US\$50,000 divided into 500,000,000 Shares of nominal value of US\$0.0001 each. The following sets out the changes in our Company's issued share capital since the date of its incorporation:

- (a) Our Company was incorporated on 26 April 2021. The initial sole Share of our Company was allotted and issued to the initial subscriber who immediately transferred that share to Zhenghao Global. On the same day, 999 ordinary Shares were allotted and issued to Zhenghao Global.
- (b) On 3 August 2021, our Company issued Shares with a par value of US\$0.0001 each in the following manner:
  - (i) 10,095,800 ordinary shares to Zhenghao Global;
  - (ii) 8,910,117 ordinary shares to Baoyu Group;
  - (iii) 6,631,177 ordinary shares to Honghan Worldwide;
  - (iv) 5,515,246 ordinary shares to Double Winner;
  - (v) 3,141,300 ordinary shares to Shanghai Fosun;
  - (vi) 2,540,860 ordinary shares to East Pride Industrial;

- (vii) 3,150,000 ordinary shares to Guangzhou Xuandong;
  - (viii) 1,800,000 ordinary shares to Guangzhou Xuanxi;
  - (ix) 1,750,000 ordinary shares to GF Qianhe;
  - (x) 1,350,000 ordinary shares to Guangzhou Xuannan;
  - (xi) 1,350,000 ordinary shares to Guangzhou Xuanbei;
  - (xii) 1,350,000 ordinary shares to East Pride Development;
  - (xiii) 1,200,000 ordinary shares to Guangzhou Zhengxin;
  - (xiv) 1,000,000 ordinary shares to GL Venture Capital;
  - (xv) 505,000 ordinary shares to SZR Investment;
  - (xvi) 504,000 ordinary shares to Top Lux;
  - (xvii) 504,000 ordinary shares to Horizon Worldwide;
  - (xviii) 498,000 ordinary shares to GF Securities;
  - (xix) 310,000 ordinary shares to Chengda Coastal;
  - (xx) 224,000 ordinary shares to Ace Quality;
  - (xxi) 200,000 ordinary shares to Pluto Connection;
  - (xxii) 32,000 ordinary shares to Zhuhai Qingshi;
  - (xxiii) 19,900 ordinary shares to Bravo Great;
  - (xxiv) 8,600 ordinary shares to Genius Professional; and
  - (xxv) 2,000 ordinary shares to Champion Team.
- (c) On 15 June 2022, the authorised share capital of our Company was increased from US\$50,000 divided into 500,000,000 Shares of par value of US\$0.0001 each to US\$100,000 divided into 1,000,000,000 Shares of par value of US\$0.0001 each by the creation of an additional of 500,000,000 Shares. Each Share shall rank *pari passu* in all respects with all the existing Shares in issue.
- (d) Immediately following completion of Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised), the authorised share capital of our Company will be US\$100,000 divided into 1,000,000,000 Shares of par value of US\$0.0001 each, of which 560,320,500 Shares will be issued fully-paid or credited as fully-paid, and 439,679,500 Shares will remain unissued (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option).

Save as disclosed above, there has been no alteration in our authorised share capital since our incorporation.

### 3. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountant's Report set out in Appendix I to this prospectus. The following alterations in the Share or registered capital of our subsidiaries have taken place within two years immediately preceding the date of this prospectus.

#### *Xuan Wu*

On 15 June 2019, the shareholders of Xuan Wu passed resolutions to approve the repurchase of 401,000, 301,000, 194,000, 192,000, 5,000, 4,000, and 2,000 shares from Orient Securities Company Limited, Ping An Securities Ltd., First Capital Securities Co., Ltd. (第一創業證券股份有限公司), Huaan Securities Co., Ltd. (華安證券股份有限公司), Yichun City Mingbo Corporate Management Centre (Limited Partnership) (宜春市銘博企業管理中心(有限合夥)), Mr. You Haixiao (尤海嘯) and Mr. Li Dajun (李大軍), each being an Independent Third Party save for the interests held in Xuan Wu. The registered share capital of Xuan Wu decreased by RMB1,099,000.00 to RMB49,994,800.00. The capital reserve decreased by RMB30,296,134.00.

On 25 August 2019, Xuan Wu entered into an agreement with Mr. Chen, Mr. Song, Mr. Huang, Mr. Li and Mr. Xie, pursuant to which Mr. Chen, Mr. Song, Mr. Huang, Mr. Li and Mr. Xie subscribed 1,815, 1,602, 1,192, 991 and 600 shares of Xuan Wu at a consideration of RMB54,450.00, RMB48,060.00, RMB35,760.00, RMB29,730.00 and RMB18,000.00, respectively, of which RMB6,200.00 was credited to the registered capital of Xuan Wu and the remaining RMB179,800.00 was credited to its capital reserve.

In September 2020, GL Venture Capital, Chengda Coastal, GF Qianhe and Zhuhai Qingshi subscribed, by various agreements, 1,000,000 shares, 310,000 shares, 1,250,000 shares and 32,000 shares at a consideration of RMB23,990,000, RMB7,436,900, RMB29,987,599 and RMB767,680, respectively, of which RMB2,592,000 was credited to the registered capital of Xuan Xu and the remaining RMB59,590,080 was credited to its capital reserve.

On 16 October 2020, Mr. Xie and Guangzhou Zhengxin entered into an equity transfer agreement, pursuant to which Mr. Xie agreed to transfer and Guangzhou Zhengxin agreed to purchase 800,000 shares, which represented 1.5211% of the then equity interest of Xuan Wu at a consideration of RMB23.99 per share.

#### *Guangzhou Xingjian*

On 16 March 2021, the registered capital of Guangzhou Xingjian was increased from RMB1,000,000 to RMB10,000,000.

Except as referred to above and in the section headed "History and Reorganisation" in this prospectus, there are no changes in the share capital of each of our Company's subsidiaries within the two years immediately preceding the date of this prospectus.

#### 4. Resolutions of the Shareholders passed on 15 June 2022

On 15 June 2022, resolutions were passed by the then Shareholders of our Company pursuant to which, among other things:

- (a) with effect from the same date, the authorised share capital of our Company was changed to US\$100,000 divided into 1,000,000,000 Shares of par value of US\$0.0001 each;
- (b) with effect from and conditional upon the Listing, the current memorandum and articles of association of the Company will be replaced in its entirety with the Memorandum of Association and the Articles of Association;
- (c) conditional upon the satisfaction (or, if applicable, waiver) of the conditions referred to in the paragraph headed “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus and pursuant to the terms set out therein:
  - (i) the Capitalisation Issue and the Global Offering were approved and the Directors were authorised to allot, issue and approve the transfer of such number of Shares pursuant to the Capitalisation Issue and the Global Offering;
  - (ii) the Listing was approved and the Directors were authorised to implement the Listing;
  - (iii) the Board (or any committee thereof established by the Board pursuant to the Articles) was authorised to agree to the price per Offer Share with the Joint Bookrunners;
- (d) subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of Offer Shares pursuant to the Global Offering, our Directors were authorised to allot and issue a total of 473,337,000 Shares credited as fully paid at par to the holders of Shares on the register of members of our Company at the close of business on the date immediately preceding the date on which the Global Offering becoming unconditional (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued and fraction of a Share) by way of capitalisation of the sum of US\$47,333.7 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares;

- (e) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares or securities convertible into Shares (the “**Convertible Securities**”) or options, warrants or similar rights to subscribe for Shares or such convertible securities (the “**Options and Warrants**”), and to make or grant offers, agreements or options which might require such Shares, the Convertible Securities or the Options and Warrants to be allotted and issued or dealt with at any time subject to the requirement that the aggregate number of the Shares or the underlying Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed 20% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering.

This mandate does not cover (i) any Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders or upon the exercise of the Over-allotment Option and (ii) any warrants, options or similar rights to subscribe for any new Shares or any securities convertible into new Shares for cash consideration. This general mandate to issue Shares will remain in effect until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under the applicable laws or the Articles of Association; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting of our Company,

whichever is the earliest;

- (f) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate number of not more than 10% of aggregate number of Shares in issue immediately following the Capitalisation Issue and completion of the Global Offering (excluding Shares which may be allotted and issued upon the exercise of the Over-allotment Option).

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose) and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. This general mandate to repurchase Shares will remain in effect until:

- (i) the conclusion of the next annual general meeting of our Company;



- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting of our Company;

whichever is the earliest; and

- (g) the general unconditional mandate as referred to in paragraph (e) above would be extended by the addition to the aggregate number 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 number of the Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (f) above (up to 10% of the aggregate number of the Shares in issue immediately following the Capitalisation Issue and completion of the Global Offering, excluding any Shares which may be allotted and issued pursuant to the exercise of Over-allotment Option).

## **5. Corporate Reorganisation**

The companies comprising our Group underwent the Reorganisation in preparation for the listing of our Shares on the Stock Exchange. For details, please refer to the section headed "History and Reorganisation" in this prospectus.

## **6. Repurchases by our Company of its own Securities**

This section sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

### ***(a) Provisions 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 more important of which are summarised below:

#### ***(i) Shareholders' approval***

All proposed repurchase 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, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to resolutions of our Company passed on 15 June 2022, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of not more than 10% of the number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the applicable laws and regulations of 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.

(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 immediately after the completion of its listing. 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 our 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 that 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*

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) *Suspension of repurchase*

A listed company may not make any repurchase of securities after inside information has come to its knowledge until such time as the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (1) 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, quarter or any other interim period (whether or not required under the Listing Rules) and (2) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarter or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, 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 following any day on which the listed company may make a purchase of securities. The report must state the total number of shares purchased the previous day, the purchase price per share or the highest and lowest prices paid for such purchases. 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 purchase, where relevant, and the aggregate prices paid.

(vii) *Connected persons*

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his securities to our Company.

(b) *Reasons for repurchases*

Our Directors believe that it is in the interests of our Company and the Shareholders to have general authority from the Shareholders to enable the Directors to repurchase Shares in the market. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. The

Directors have sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

*(c) Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with its Memorandum and Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

There could be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, the Directors do not propose to exercise the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Company.

The exercise in full of the Repurchase Mandate, on the basis of 560,320,500 Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering, could accordingly result in up to 56,032,050 Shares being repurchased by our Company during the period prior to:

- i. the conclusion of the next annual general meeting of our Company;
- ii. the expiry of the period within which our Company is required by the Articles or any applicable law to hold its next annual general meeting;  
or
- iii. when varied or revoked by an ordinary resolution of the Shareholders passed in a general meeting,

whichever is the earliest.

*(d) General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

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 of the Cayman Islands. Our Company has not repurchased any Shares since our incorporation.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert 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.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

## **B. FURTHER INFORMATION ABOUT OUR BUSINESS**

### **1. Summary of material contracts**

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

- (1) an exclusive business cooperation agreement dated 10 August 2021 entered into among Xuantao, Xuan Wu and the Registered Shareholders, in exchange for an annual service fee, pursuant to which Xuan Wu agreed to engage Xuantao as its exclusive provider of technical support, consultation and other services;
- (2) an exclusive business cooperation agreement dated 29 December 2021 entered into among Xuantao, Guangzhou Jixin and Xuan Wu, in exchange for an annual service fee, pursuant to which Guangzhou Jixin agreed to engage Xuantao as its exclusive provider of technical support, consultation and other services;
- (3) an exclusive business cooperation agreement dated 29 December 2021 entered into among Xuantao, Guangzhou Xuanxun and Xuan Wu, in exchange for an annual service fee, pursuant to which Guangzhou Xuanxun agreed to engage Xuantao as its exclusive provider of technical support, consultation and other services;
- (4) an exclusive business cooperation agreement dated 29 December 2021 entered into among Xuantao, Guangzhou Xuxin and Xuan Wu, in exchange for an annual service fee, pursuant to which Guangzhou Xuxin agreed to engage Xuantao as its exclusive provider of technical support, consultation and other services;

- (5) an exclusive business cooperation agreement dated 29 December 2021 entered into among Xuantao, Guangzhou Zhengjun and Xuan Wu, in exchange for an annual service fee, pursuant to which Guangzhou Zhengjun agreed to engage Xuantao as its exclusive provider of technical support, consultation and other services;
- (6) an exclusive business cooperation agreement dated 29 December 2021 entered into among Xuantao, Guangzhou Zhongmai and Xuan Wu, in exchange for an annual service fee, pursuant to which Guangzhou Zhongmai agreed to engage Xuantao as its exclusive provider of technical support, consultation and other services;
- (7) an exclusive business cooperation agreement dated 29 December 2021 entered into among Xuantao, Guangzhou Guanghan and Xuan Wu, in exchange for an annual service fee, pursuant to which Guangzhou Guanghan agreed to engage Xuantao as its exclusive provider of technical support, consultation and other services;
- (8) an exclusive business cooperation agreement dated 29 December 2021 entered into among Xuantao, Guangzhou Shangyu and Xuan Wu, in exchange for an annual service fee, pursuant to which Guangzhou Shangyu agreed to engage Xuantao as its exclusive provider of technical support, consultation and other services;
- (9) an exclusive business cooperation agreement dated 29 December 2021 entered into among Xuantao, Beijing Xiuwu and Xuan Wu, in exchange for an annual service fee, pursuant to which Beijing Xiuwu agreed to engage Xuantao as its exclusive provider of technical support, consultation and other services;
- (10) an exclusive business cooperation agreement dated 29 December 2021 entered into among Xuantao, Henan Shangfang and Xuan Wu, in exchange for an annual service fee, pursuant to which Henan Shangfang agreed to engage Xuantao as its exclusive provider of technical support, consultation and other services;
- (11) an exclusive business cooperation agreement dated 29 December 2021 entered into among Xuantao, Dejiu and Xuan Wu, in exchange for an annual service fee, pursuant to which Dejiu agreed to engage Xuantao as its exclusive provider of technical support, consultation and other services;
- (12) an exclusive business cooperation agreement dated 29 December 2021 entered into among Xuantao, Tianjin Xingjian and Dejiu, in exchange for an annual service fee, pursuant to which Tianjin Xingjian agreed to engage Xuantao as its exclusive provider of technical support, consultation and other services;

- (13) an exclusive business cooperation agreement dated 29 December 2021 entered into among Xuantao, Guangzhou Xingjian and Dejiu, in exchange for an annual service fee, pursuant to which Guangzhou Xingjian agreed to engage Xuantao as its exclusive provider of technical support, consultation and other services;
- (14) an exclusive option agreement dated 10 August 2021 among Xuantao, Xuan Wu and the Registered Shareholders, pursuant to which Xuan Wu and the Registered Shareholders agreed to grant Xuantao an irrevocable and exclusive right to require each of the Registered Shareholders to transfer any or all their equity interests in Xuan Wu, and/or Xuan Wu to transfer any or all of the assets it held, to Xuantao and/or a third party designated by it, at any time and from time to time, at the lowest purchase price that is permitted by the PRC laws;
- (15) an exclusive option agreement dated 29 December 2021 among Xuantao, Guangzhou Jixin and Xuan Wu, pursuant to which Guangzhou Jixin and Xuan Wu agreed to grant Xuantao an irrevocable and exclusive right to require Xuan Wu to transfer any or all its equity interests in Guangzhou Jixin, and/or Guangzhou Jixin to transfer any or all of the assets it held, to Xuantao and/or a third party designated by it, at any time and from time to time, at the lowest purchase price that is permitted by the PRC laws;
- (16) an exclusive option agreement dated 29 December 2021 among Xuantao, Guangzhou Xuanxun and Xuan Wu, pursuant to which Guangzhou Xuanxun and Xuan Wu agreed to grant Xuantao an irrevocable and exclusive right to require Xuan Wu to transfer any or all its equity interests in Guangzhou Xuanxun, and/or Guangzhou Xuanxun to transfer any or all of the assets it held, to Xuantao and/or a third party designated by it, at any time and from time to time, at the lowest purchase price that is permitted by the PRC laws;
- (17) an exclusive option agreement dated 29 December 2021 among Xuantao, Guangzhou Xuxin and Xuan Wu, pursuant to which Guangzhou Xuxin and Xuan Wu agreed to grant Xuantao an irrevocable and exclusive right to require Xuan Wu to transfer any or all its equity interests in Guangzhou Xuxin, and/or Guangzhou Xuxin to transfer any or all of the assets it held, to Xuantao and/or a third party designated by it, at any time and from time to time, at the lowest purchase price that is permitted by the PRC laws;
- (18) an exclusive option agreement dated 29 December 2021 among Xuantao, Guangzhou Zhengjun and Xuan Wu, pursuant to which Guangzhou Zhengjun and Xuan Wu agreed to grant Xuantao an irrevocable and exclusive right to require Xuan Wu to transfer any or all its equity interests in Guangzhou Zhengjun, and/or Guangzhou Zhengjun to transfer any or all of the assets it held, to Xuantao and/or a third party designated by it, at any time and from time to time, at the lowest purchase price that is permitted by the PRC laws;

- (19) an exclusive option agreement dated 29 December 2021 among Xuantao, Guangzhou Zhongmai and Xuan Wu, pursuant to which Guangzhou Zhongmai and Xuan Wu agreed to grant Xuantao an irrevocable and exclusive right to require Xuan Wu to transfer any or all its equity interests in Guangzhou Zhongmai, and/or Guangzhou Zhongmai to transfer any or all of the assets it held, to Xuantao and/or a third party designated by it, at any time and from time to time, at the lowest purchase price that is permitted by the PRC laws;
- (20) an exclusive option agreement dated 29 December 2021 among Xuantao, Guangzhou Guanghan and Xuan Wu, pursuant to which Guangzhou Guanghan and Xuan Wu agreed to grant Xuantao an irrevocable and exclusive right to require Xuan Wu to transfer any or all its equity interests in Guangzhou Guanghan, and/or Guangzhou Guanghan to transfer any or all of the assets it held, to Xuantao and/or a third party designated by it, at any time and from time to time, at the lowest purchase price that is permitted by the PRC laws;
- (21) an exclusive option agreement dated 29 December 2021 among Xuantao, Guangzhou Shangyu and Xuan Wu, pursuant to which Guangzhou Shangyu and Xuan Wu agreed to grant Xuantao an irrevocable and exclusive right to require Xuan Wu to transfer any or all its equity interests in Guangzhou Shangyu, and/or Guangzhou Shangyu to transfer any or all of the assets it held, to Xuantao and/or a third party designated by it, at any time and from time to time, at the lowest purchase price that is permitted by the PRC laws;
- (22) an exclusive option agreement dated 29 December 2021 among Xuantao, Beijing Xiuwu and Xuan Wu, pursuant to which Beijing Xiuwu and Xuan Wu agreed to grant Xuantao an irrevocable and exclusive right to require Xuan Wu to transfer any or all its equity interests in Beijing Xiuwu, and/or Beijing Xiuwu to transfer any or all of the assets it held, to Xuantao and/or a third party designated by it, at any time and from time to time, at the lowest purchase price that is permitted by the PRC laws;
- (23) an exclusive option agreement dated 29 December 2021 among Xuantao, Henan Shangfang and Xuan Wu, pursuant to which Henan Shangfang and Xuan Wu agreed to grant Xuantao an irrevocable and exclusive right to require Xuan Wu to transfer any or all its equity interests in Henan Shangfang, and/or Henan Shangfang to transfer any or all of the assets it held, to Xuantao and/or a third party designated by it, at any time and from time to time, at the lowest purchase price that is permitted by the PRC laws;



- (24) an exclusive option agreement dated 29 December 2021 among Xuantao, Dejiu and Xuan Wu, pursuant to which Dejiu and Xuan Wu agreed to grant Xuantao an irrevocable and exclusive right to require Xuan Wu to transfer any or all its equity interests in Dejiu, and/or Dejiu to transfer any or all of the assets it held, to Xuantao and/or a third party designated by it, at any time and from time to time, at the lowest purchase price that is permitted by the PRC laws;
- (25) an exclusive option agreement dated 29 December 2021 among Xuantao, Tianjin Xingjian and Dejiu, pursuant to which Tianjin Xingjian and Dejiu agreed to grant Xuantao an irrevocable and exclusive right to require Dejiu to transfer any or all its equity interests in Tianjin Xingjian, and/or Tianjin Xingjian to transfer any or all of the assets it held, to Xuantao and/or a third party designated by it, at any time and from time to time, at the lowest purchase price that is permitted by the PRC laws;
- (26) an exclusive option agreement dated 29 December 2021 among Xuantao, Guangzhou Xingjian and Dejiu, pursuant to which Guangzhou Xingjian and Dejiu agreed to grant Xuantao an irrevocable and exclusive right to require Dejiu to transfer any or all its equity interests in Guangzhou Xingjian, and/or Guangzhou Xingjian to transfer any or all of the assets it held, to Xuantao and/or a third party designated by it, at any time and from time to time, at the lowest purchase price that is permitted by the PRC laws;
- (27) an equity pledge agreement dated 10 August 2021 entered into among Xuantao, Xuan Wu and the Registered Shareholders, pursuant to which the Registered Shareholders agreed to pledge all their respective equity interests in Xuan Wu that they own, including any dividend and other benefits arising therefrom, to Xuantao as charge to guarantee the performance of contractual obligations under the exclusive business cooperation agreement, the exclusive option agreement, the proxy agreement and appendices entered into among the same parties;
- (28) an equity pledge agreement dated 29 December 2021 entered into among Xuantao, Guangzhou Jixin and Xuan Wu, pursuant to which Xuan Wu agreed to pledge all of its equity interests in Guangzhou Jixin, including any dividend and other benefits arising therefrom, to Xuantao as a charge to guarantee the performance of contractual obligations under the exclusive business cooperation agreement, the exclusive option agreement, the proxy agreement and appendices entered into among the same parties;
- (29) an equity pledge agreement dated 29 December 2021 entered into among Xuantao, Guangzhou Xuanxun and Xuan Wu, pursuant to which Xuan Wu agreed to pledge all of its equity interests in Guangzhou Xuanxun, including any dividend and other benefits arising therefrom, to Xuantao as a charge to guarantee the performance of contractual obligations under the exclusive business cooperation agreement, the exclusive option Agreement, the proxy agreement and appendices entered into among the same parties;

- (30) an equity pledge agreement dated 29 December 2021 entered into among Xuantao, Guangzhou Xuxin and Xuan Wu, pursuant to which Xuan Wu agreed to pledge all of its equity interests in Guangzhou Xuxin, including any dividend and other benefits arising therefrom, to Xuantao as a charge to guarantee the performance of contractual obligations under the exclusive business cooperation agreement, the exclusive option agreement, the proxy agreement and appendices entered into among the same parties;
- (31) an equity pledge agreement dated 29 December 2021 entered into among Xuantao, Guangzhou Zhengjun and Xuan Wu, pursuant to which Xuan Wu agreed to pledge all of its equity interests in Guangzhou Zhengjun, including any dividend and other benefits arising therefrom, to Xuantao as a charge to guarantee the performance of contractual obligations under the exclusive business cooperation agreement, the exclusive option agreement, the proxy agreement and appendices entered into among the same parties;
- (32) an equity pledge agreement dated 29 December 2021 entered into among Xuantao, Guangzhou Zhongmai and Xuan Wu, pursuant to which Xuan Wu agreed to pledge all of its equity interests in Guangzhou Zhongmai, including any dividend and other benefits arising therefrom, to Xuantao as a charge to guarantee the performance of contractual obligations under the exclusive business cooperation agreement, the exclusive option agreement, the proxy agreement and appendices entered into among the same parties;
- (33) an equity pledge agreement dated 29 December 2021 entered into among Xuantao, Guangzhou Guanghan and Xuan Wu, pursuant to which Xuan Wu agreed to pledge all of its equity interests in Guangzhou Guanghan, including any dividend and other benefits arising therefrom, to Xuantao as a charge to guarantee the performance of contractual obligations under the exclusive business cooperation agreement, the exclusive option agreement, the proxy agreement and appendices entered into among the same parties;
- (34) an equity pledge agreement dated 29 December 2021 entered into among Xuantao, Guangzhou Shangyu and Xuan Wu, pursuant to which Xuan Wu agreed to pledge all of its equity interests in Guangzhou Shangyu, including any dividend and other benefits arising therefrom, to Xuantao as a charge to guarantee the performance of contractual obligations under the exclusive business cooperation agreement, the exclusive option agreement, the proxy agreement and appendices entered into among the same parties;
- (35) an equity pledge agreement dated 29 December 2021 entered into among Xuantao, Beijing Xiuwu and Xuan Wu, pursuant to which Xuan Wu agreed to pledge all of its equity interests in Beijing Xiuwu, including any dividend and other benefits arising therefrom, to Xuantao as a charge to guarantee the performance of contractual obligations under the exclusive business cooperation agreement, the exclusive option agreement, the proxy agreement and appendices entered into among the same parties;

- (36) an equity pledge agreement dated 29 December 2021 entered into among Xuantao, Henan Shangfang and Xuan Wu, pursuant to which Xuan Wu agreed to pledge all of its equity interests in Henan Shangfang, including any dividend and other benefits arising therefrom, to Xuantao as a charge to guarantee the performance of contractual obligations under the exclusive business cooperation agreement, the exclusive option agreement, the proxy agreement and appendices entered into among the same parties;
- (37) an equity pledge agreement dated 29 December 2021 entered into among Xuantao, Dejiu and Xuan Wu, pursuant to which Xuan Wu agreed to pledge all of its equity interests in Dejiu, including any dividend and other benefits arising therefrom, to Xuantao as a charge to guarantee the performance of contractual obligations under the exclusive business cooperation agreement, the exclusive option agreement, the proxy agreement and appendices entered into among the same parties;
- (38) an equity pledge agreement dated 29 December 2021 entered into among Xuantao, Tianjin Xingjian and Dejiu, pursuant to which Dejiu agreed to pledge all of its equity interests in Tianjin Xingjian, including any dividend and other benefits arising therefrom, to Xuantao as a charge to guarantee the performance of contractual obligations under the exclusive business cooperation agreement, the exclusive option agreement, the proxy agreement and appendices entered into among the same parties;
- (39) an equity pledge agreement dated 29 December 2021 entered into among Xuantao, Guangzhou Xingjian and Dejiu, pursuant to which Dejiu agreed to pledge all of its equity interests in Guangzhou Xingjian, including any dividend and other benefits arising therefrom, to Xuantao as a charge to guarantee the performance of contractual obligations under the exclusive business cooperation agreement, the exclusive option agreement, the proxy agreement and appendices entered into among the same parties;
- (40) a proxy agreement dated 10 August 2021 entered into among Xuantao, Xuan Wu and the Registered Shareholders, pursuant to which the Registered Shareholders covenanted that they appointed Xuantao and any person designated by Xuantao as their proxy to manage their equity interest in Xuan Wu and exercise all shareholder's rights in Xuan Wu on their behalf;
- (41) a power of attorney dated 10 August 2021 executed by Mr. Chen and Xuantao, pursuant to which Mr. Chen appointed Xuantao and/or any person designated by Xuantao as his proxy to manage his equity interest in Xuan Wu and exercise all his shareholder's rights in Xuan Wu;
- (42) a power of attorney dated 10 August 2021 executed by Mr. Song and Xuantao, pursuant to which Mr. Song appointed Xuantao and/or any person designated by Xuantao as his proxy to manage his equity interest in Xuan Wu and exercise all his shareholder's rights in Xuan Wu;

- (43) a power of attorney dated 10 August 2021 executed by Mr. Huang and Xuantao, pursuant to which Mr. Huang appointed Xuantao and/or any person designated by Xuantao as his proxy to manage his equity interest in Xuan Wu and exercise all his shareholder's rights in Xuan Wu;
- (44) a power of attorney dated 10 August 2021 executed by Mr. Li and Xuantao, pursuant to which Mr. Li appointed Xuantao and/or any person designated by Xuantao as his proxy to manage his equity interest in Xuan Wu and exercise all his shareholder's rights in Xuan Wu;
- (45) a power of attorney dated 10 August 2021 executed by Guangzhou Xuandong and Xuantao, pursuant to which Guangzhou Xuandong appointed Xuantao and/or any person designated by Xuantao as its proxy to manage its equity interest in Xuan Wu and exercise all its shareholder's rights in Xuan Wu;
- (46) a power of attorney dated 10 August 2021 executed by Guangzhou Xuannan and Xuantao, pursuant to which Guangzhou Xuannan appointed Xuantao and/or any person designated by Xuantao as its proxy to manage its equity interest in Xuan Wu and exercise all its shareholder's rights in Xuan Wu;
- (47) a power of attorney dated 10 August 2021 executed by Guangzhou Xuanxi and Xuantao, pursuant to which Guangzhou Xuanxi appointed Xuantao and/or any person designated by Xuantao as its proxy to manage its equity interest in Xuan Wu and exercise all its shareholder's rights in Xuan Wu;
- (48) a power of attorney dated 10 August 2021 executed by Guangzhou Xuanbei and Xuantao, pursuant to which Guangzhou Xuanbei appointed Xuantao and/or any person designated by Xuantao as its proxy to manage its equity interest in Xuan Wu and exercise all its shareholder's rights in Xuan Wu;
- (49) a power of attorney dated 10 August 2021 executed by Shanghai Fosun and Xuantao, pursuant to which Shanghai Fosun appointed Xuantao and/or any person designated by Xuantao as its proxy to manage its equity interest in Xuan Wu and exercise all its shareholder's rights in Xuan Wu;
- (50) a power of attorney dated 10 August 2021 executed by Mr. Xie and Xuantao, pursuant to which Mr. Xie appointed Xuantao and/or any person designated by Xuantao as his proxy to manage his equity interest in Xuan Wu and exercise all his shareholder's rights in Xuan Wu;
- (51) a power of attorney dated 10 August 2021 executed by GF Qianhe and Xuantao, pursuant to which GF Qianhe appointed Xuantao and/or any person designated by Xuantao as its proxy to manage its equity interest in Xuan Wu and exercise all its shareholder's rights in Xuan Wu;

- (52) a power of attorney dated 10 August 2021 executed by Mr. Guo Haiqiu and Xuantao, pursuant to which Mr. Guo Haiqiu appointed Xuantao and/or any person designated by Xuantao as his proxy to manage his equity interest in Xuan Wu and exercise all his shareholder's rights in Xuan Wu;
- (53) a power of attorney dated 10 August 2021 executed by Guangzhou Zhengxin and Xuantao, pursuant to which Guangzhou Zhengxin appointed Xuantao and/or any person designated by Xuantao as its proxy to manage its equity interest in Xuan Wu and exercise all its shareholder's rights in Xuan Wu;
- (54) a power of attorney dated 10 August 2021 executed by GL Venture Capital and Xuantao, pursuant to which GL Venture Capital appointed Xuantao and/or any person designated by Xuantao as its proxy to manage their equity interest in Xuan Wu and exercise all its shareholder's rights in Xuan Wu;
- (55) a power of attorney dated 10 August 2021 executed by SZR Investment and Xuantao, pursuant to which SZR Investment appointed Xuantao and/or any person designated by Xuantao as its proxy to manage its equity interest in Xuan Wu and exercise all its shareholder's rights in Xuan Wu;
- (56) a power of attorney dated 10 August 2021 executed by Mr. Chen Zhengxu and Xuantao, pursuant to which Mr. Chen Zhengxu appointed Xuantao and/or any person designated by Xuantao as his proxy to manage his equity interest in Xuan Wu and exercise all his shareholder's rights in Xuan Wu;
- (57) a power of attorney dated 10 August 2021 executed by Mr. Wu Fugui and Xuantao, pursuant to which Mr. Wu Fugui appointed Xuantao and/or any person designated by Xuantao as his proxy to manage his equity interest in Xuan Wu and exercise all his shareholder's rights in Xuan Wu;
- (58) a power of attorney dated 10 August 2021 executed by GF Securities and Xuantao, pursuant to which GF Securities appointed Xuantao and/or any person designated by Xuantao as its proxy to manage its equity interest in Xuan Wu and exercise all its shareholder's rights in Xuan Wu;
- (59) a power of attorney dated 10 August 2021 executed by Mr. Zhang Wei and Xuantao, pursuant to which Mr. Zhang Wei appointed Xuantao and/or any person designated by Xuantao as his proxy to manage his equity interest in Xuan Wu and exercise all his shareholder's rights in Xuan Wu;
- (60) a power of attorney dated 10 August 2021 executed by Chengda Coastal and Xuantao, pursuant to which Chengda Coastal appointed Xuantao and/or any person designated by Xuantao as its proxy to manage its equity interest in Xuan Wu and exercise all its shareholder's rights in Xuan Wu;

- (61) a power of attorney dated 10 August 2021 executed by CITIC Securities and Xuantao, pursuant to which CITIC Securities appointed Xuantao and/or any person designated by Xuantao as its proxy to manage its equity interest in Xuan Wu and exercise all its shareholder's rights in Xuan Wu;
- (62) a power of attorney dated 10 August 2021 executed by Zhuhai Qingshi and Xuantao, pursuant to which Zhuhai Qingshi appointed Xuantao and/or any person designated by Xuantao as its proxy to manage its equity interest in Xuan Wu and exercise all its shareholder's rights in Xuan Wu;
- (63) a power of attorney dated 10 August 2021 executed by Mr. Zhang Boxiao and Xuantao, pursuant to which Mr. Zhang Boxiao appointed Xuantao and/or any person designated by Xuantao as his proxy to manage his equity interest in Xuan Wu and exercise all his shareholder's rights in Xuan Wu;
- (64) a power of attorney dated 10 August 2021 executed by Mr. Tang Bin and Xuantao, pursuant to which Mr. Tang Bin appointed Xuantao and/or any person designated by Xuantao as his proxy to manage his equity interest in Xuan Wu and exercise all his shareholder's rights in Xuan Wu;
- (65) a power of attorney dated 10 August 2021 executed by Mr. Sun Junwen and Xuantao, pursuant to which Mr. Sun Junwen appointed Xuantao and/or any person designated by Xuantao as his proxy to manage his equity interest in Xuan Wu and exercise all his shareholder's rights in Xuan Wu;
- (66) a proxy agreement dated 29 December 2021 entered into among Xuantao, Guangzhou Jixin and Xuan Wu, together with a power of attorney dated 29 December 2021 executed by Xuan Wu and Xuantao, pursuant to which Xuan Wu appointed Xuantao and/or any person designated by Xuantao as its proxy to manage its equity interest in Guangzhou Jixin and exercise all its shareholder's rights in Guangzhou Jixin;
- (67) a proxy agreement dated 29 December 2021 entered into among Xuantao, Guangzhou Xuanxun and Xuan Wu, together with a power of attorney dated 29 December 2021 executed by Xuan Wu and Xuantao, pursuant to which Xuan Wu appointed Xuantao and/or any person designated by Xuantao as its proxy to manage its equity interest in Guangzhou Xuanxun and exercise all its shareholder's rights in Guangzhou Xuanxun;
- (68) a proxy agreement dated 29 December 2021 entered into among Xuantao, Guangzhou Xuxin and Xuan Wu, together with a power of attorney dated 29 December 2021 executed by Xuan Wu and Xuantao, pursuant to which Xuan Wu appointed Xuantao and/or any person designated by Xuantao as its proxy to manage its equity interest in Guangzhou Xuxin and exercise all its shareholder's rights in Guangzhou Xuxin;

- (69) a proxy agreement dated 29 December 2021 entered into among Xuantao, Guangzhou Zhengjun and Xuan Wu, together with a power of attorney dated 29 December 2021 executed by Xuan Wu and Xuantao, pursuant to which Xuan Wu appointed Xuantao and/or any person designated by Xuantao as its proxy to manage its equity interest in Guangzhou Zhengjun and exercise all its shareholder's rights in Guangzhou Zhengjun;
- (70) a proxy agreement dated 29 December 2021 entered into among Xuantao, Guangzhou Zhongmai and Xuan Wu, together with a power of attorney dated 29 December 2021 executed by Xuan Wu and Xuantao, pursuant to which Xuan Wu appointed Xuantao and/or any person designated by Xuantao as its proxy to manage its equity interest in Guangzhou Zhongmai and exercise all its shareholder's rights in Guangzhou Zhongmai;
- (71) a proxy agreement dated 29 December 2021 entered into among Xuantao, Guangzhou Guanghan and Xuan Wu, together with a power of attorney dated 29 December 2021 executed by Xuan Wu and Xuantao, pursuant to which Xuan Wu appointed Xuantao and/or any person designated by Xuantao as its proxy to manage its equity interest in Guangzhou Guanghan and exercise all its shareholder's rights in Guangzhou Guanghan;
- (72) a proxy agreement dated 29 December 2021 entered into among Xuantao, Guangzhou Shangyu and Xuan Wu, together with a power of attorney dated 29 December 2021 executed by Xuan Wu and Xuantao, pursuant to which Xuan Wu appointed Xuantao and/or any person designated by Xuantao as its proxy to manage its equity interest in Guangzhou Shangyu and exercise all its shareholder's rights in Guangzhou Shangyu;
- (73) a proxy agreement dated 29 December 2021 entered into among Xuantao, Beijing Xiuwu and Xuan Wu, together with a power of attorney dated 29 December 2021 executed by Xuan Wu and Xuantao, pursuant to which Xuan Wu appointed Xuantao and/or any person designated by Xuantao as its proxy to manage its equity interest in Beijing Xiuwu and exercise all its shareholder's rights in Beijing Xiuwu;
- (74) a proxy agreement dated 29 December 2021 entered into among Xuantao, Henan Shangfang and Xuan Wu, together with a power of attorney dated 29 December 2021 executed by Xuan Wu and Xuantao, pursuant to which Xuan Wu appointed Xuantao and/or any person designated by Xuantao as its proxy to manage its equity interest in Henan Shangfang and exercise all its shareholder's rights in Henan Shangfang;

- (75) a proxy agreement dated 29 December 2021 entered into among Xuantao, Dejiu and Xuan Wu, together with a power of attorney dated 29 December 2021 executed by Xuan Wu and Xuantao, pursuant to which Xuan Wu appointed Xuantao and/or any person designated by Xuantao as its proxy to manage its equity interest in Dejiu and exercise all its shareholder's rights in Dejiu;
- (76) a proxy agreement dated 29 December 2021 entered into among Xuantao, Tianjin Xingjian and Dejiu, together with a power of attorney dated 29 December 2021 executed by Dejiu and Xuantao, pursuant to which Dejiu appointed Xuantao and/or any person designated by Xuantao as its proxy to manage its equity interest in Tianjin Xingjian and exercise all its shareholder's rights in Tianjin Xingjian;
- (77) a proxy agreement dated 29 December 2021 entered into among Xuantao, Guangzhou Xingjian and Dejiu, together with a power of attorney dated 29 December 2021 executed by Dejiu and Xuantao, pursuant to which Dejiu appointed Xuantao and/or any person designated by Xuantao as its proxy to manage its equity interest in Guangzhou Xingjian and exercise all its shareholder's rights in Guangzhou Xingjian;
- (78) undertakings dated 10 August 2021 entered into by each of the Registered Shareholders (in their capacity as shareholders of Xuan Wu), pursuant to which they undertake that, among others, if a potential conflict of interest arises, they shall not harm the interests of Xuantao;
- (79) an undertaking dated 12 August 2021 entered into by Ms. Yan Xiaoling (閻曉玲), the spouse of Mr. Chen, pursuant to which, she undertakes that, among others, (i) Mr. Chen's interests in Xuan Wu (together with any other interests therein) do not fall within the scope of communal properties, and (ii) she will not have any claim on such interests;
- (80) an undertaking dated 12 August 2021 entered into by Ms. Zhong Jie (鍾婕), the spouse of Mr. Song, pursuant to which, she undertakes that, among others, (i) Mr. Song's interests in Xuan Wu (together with any other interests therein) do not fall within the scope of communal properties, and (ii) she will not have any claim on such interests;
- (81) an undertaking dated 12 August 2021 entered into by Ms. Huang Chunmei (黃春梅), the spouse of Mr. Huang, pursuant to which, she undertakes that, among others, (i) Mr. Huang's interests in Xuan Wu (together with any other interests therein) do not fall within the scope of communal properties, and (ii) she will not have any claim on such interests;



- (82) an undertaking dated 12 August 2021 entered into by Ms. Gan Yimai (甘一邁), the spouse of Mr. Li, pursuant to which, she undertakes that, among others, (i) Mr. Li's interests in Xuan Wu (together with any other interests therein) do not fall within the scope of communal properties, and (ii) she will not have any claim on such interests;
- (83) an undertaking dated 12 August 2021 entered into by Ms. Li Li (李麗), the spouse of Mr. Xie, pursuant to which, she undertakes that, among others, (i) Mr. Xie's interests in Xuan Wu (together with any other interests therein) do not fall within the scope of communal properties, and (ii) she will not have any claim on such interests;
- (84) an undertaking dated 12 August 2021 entered into by Ms. Yang Huiying (楊慧瑩), the spouse of Mr. Guo Haiqiu, pursuant to which, she undertakes that, among others, (i) Mr. Guo Haiqiu's interests in Xuan Wu (together with any other interests therein) do not fall within the scope of communal properties, and (ii) she will not have any claim on such interests;
- (85) an undertaking dated 12 August 2021 entered into by Ms. Chen Yongmei (陳咏梅), the spouse of Mr. Chen Zhengxu, pursuant to which, she undertakes that, among others, (i) Mr. Chen Zhengxu's interests in Xuan Wu (together with any other interests therein) do not fall within the scope of communal properties, and (ii) she will not have any claim on such interests;
- (86) an undertaking dated 12 August 2021 entered into by Ms. Zhang Youping (章有萍), the spouse of Mr. Wu Fugui, pursuant to which, she undertakes that, among others, (i) Mr. Wu Fugui's interests in Xuan Wu (together with any other interests therein) do not fall within the scope of communal properties, and (ii) she will not have any claim on such interests;
- (87) an undertaking dated 12 August 2021 entered into by Ms. Huang Wenxiang (黃文湘), the spouse of Mr. Zhang Boxiao, pursuant to which, she undertakes that, among others, (i) Mr. Zhang Boxiao's interests in Xuan Wu (together with any other interests therein) do not fall within the scope of communal properties, and (ii) she will not have any claim on such interests;
- (88) an undertaking dated 12 August 2021 entered into by Ms. Xiao Qing (肖青), the spouse of Mr. Tang Bin, pursuant to which, she undertakes that, among others, (i) Mr. Tang Bin's interests in Xuan Wu (together with any other interests therein) do not fall within the scope of communal properties, and (ii) she will not have any claim on such interests;
- (89) an undertaking dated 12 August 2021 entered into by Ms. Yao Yan (姚燕), the spouse of Mr. Sun Junwen, pursuant to which, she undertakes that, among others, (i) Mr. Sun Junwen's interests in Xuan Wu (together with any other interests therein) do not fall within the scope of communal properties, and (ii) she will not have any claim on such interests;

- (90) an undertaking dated 29 December 2021 entered into by Xuan Wu (in the capacity as a shareholder of Guangzhou Jixin), pursuant to which, it undertakes that, among others, if a potential conflict of interest arises, Xuan Wu shall not harm the interests of Xuantaotao;
- (91) an undertaking dated 29 December 2021 entered into by Xuan Wu (in the capacity as a shareholder of Guangzhou Xuanxun), pursuant to which, it undertakes that, among others, if a potential conflict of interest arises, Xuan Wu shall not harm the interests of Xuantaotao;
- (92) an undertaking dated 29 December 2021 entered into by Xuan Wu (in the capacity as a shareholder of Guangzhou Xuxin), pursuant to which, it undertakes that, among others, if a potential conflict of interest arises, Xuan Wu shall not harm the interests of Xuantaotao;
- (93) an undertaking dated 29 December 2021 entered into by Xuan Wu (in the capacity as a shareholder of Guangzhou Zhengjun), pursuant to which, it undertakes that, among others, if a potential conflict of interest arises, Xuan Wu shall not harm the interests of Xuantaotao;
- (94) an undertaking dated 29 December 2021 entered into by Xuan Wu (in the capacity as a shareholder of Guangzhou Zhongmai), pursuant to which, it undertakes that, among others, if a potential conflict of interest arises, Xuan Wu shall not harm the interests of Xuantaotao;
- (95) an undertaking dated 29 December 2021 entered into by Xuan Wu (in the capacity as a shareholder of Guangzhou Guanghan), pursuant to which, it undertakes that, among others, if a potential conflict of interest arises, Xuan Wu shall not harm the interests of Xuantaotao;
- (96) an undertaking dated 29 December 2021 entered into by Xuan Wu (in the capacity as a shareholder of Guangzhou Shangyu), pursuant to which, it undertakes that, among others, if a potential conflict of interest arises, Xuan Wu shall not harm the interests of Xuantaotao;
- (97) an undertaking dated 29 December 2021 entered into by Xuan Wu (in the capacity as a shareholder of Beijing Xiuwu), pursuant to which, it undertakes that, among others, if a potential conflict of interest arises, Xuan Wu shall not harm the interests of Xuantaotao;
- (98) an undertaking dated 29 December 2021 entered into by Xuan Wu (in the capacity as a shareholder of Henan Shangfang), pursuant to which, it undertakes that, among others, if a potential conflict of interest arises, Xuan Wu shall not harm the interests of Xuantaotao;

- (99) an undertaking dated 29 December 2021 entered into by Xuan Wu (in the capacity as a shareholder of Dejiu), pursuant to which, it undertakes that, among others, if a potential conflict of interest arises, Xuan Wu shall not harm the interests of Xuantaos;
- (100) an undertaking dated 29 December 2021 entered into by Dejiu (in the capacity as a shareholder of Tianjin Xingjian), pursuant to which, it undertakes that, among others, if a potential conflict of interest arises, Dejiu shall not harm the interests of Xuantaos;
- (101) an undertaking dated 29 December 2021 entered into by Dejiu (in the capacity as a shareholder of Guangzhou Xingjian), pursuant to which, it undertakes that, among others, if a potential conflict of interest arises, Dejiu shall not harm the interests of Xuantaos;
- (102) the cornerstone investment agreement dated 21 June 2022 entered into between the Company, Colorful Cloud Holdings Limited and CMB International Capital Limited, details of which are included in the section headed “Cornerstone Investor” in this prospectus;
- (103) the Deed of Indemnity; and
- (104) the Hong Kong Underwriting Agreement.

## 2. Intellectual Property Rights of our Group

### (a) Trademarks

#### (i) Trademarks registered in the PRC

As at the Latest Practicable Date, our Group had registered the following trademarks in the PRC which we consider to be material to our Group’s business:

No.	Trademark	Registered owner	Registration number	Expiry date	Class(es)
1		Xuan Wu	3841986	13 May 2026	42
2	翼讯	Xuan Wu	7511593	6 November 2030	38
3	玄讯	Xuan Wu	9420225	20 May 2032	38
4	玄讯	Xuan Wu	9419679	20 May 2032	9
5	玄讯	Xuan Wu	9420373	20 May 2032	42
6	玄讯	Xuan Wu	9419786	20 May 2032	35


No.	Trademark	Registered owner	Registration number	Expiry date	Class(es)
7		Xuan Wu	12041389	6 July 2024	38
8		Xuan Wu	12041428	27 August 2024	38
9	即信	Xuan Wu	12586807	13 October 2024	38
10	即信	Xuan Wu	12586624	13 October 2024	9
11	即信	Xuan Wu	12586700	13 October 2024	35
12	即信	Xuan Wu	12586933	13 October 2024	41
13	即信	Xuan Wu	12587395	13 October 2024	42
14		Xuan Wu	13680411	20 February 2025	42
15		Xuan Wu	13680343	20 February 2025	41
16		Xuan Wu	13680163	27 April 2025	35
17		Xuan Wu	13680092	13 June 2025	9
18		Xuan Wu	13680243	27 February 2025	38
19	xtion.net	Xuan Wu	14286665	13 May 2025	38
20	玄讯	Xuan Wu	14286689	13 May 2025	38
21		Xuan Wu	14286469	13 May 2025	38
22	玄讯	Xuan Wu	14285782	13 May 2025	9
23	xtion.net	Xuan Wu	14285586	6 September 2026	9
24		Xuan Wu	14285461	13 July 2025	9
25	玄讯	Xuan Wu	14286072	13 May 2025	35
26		Xuan Wu	14285959	13 May 2025	35
27	xtion.net	Xuan Wu	14286041	27 May 2025	35
28		Xuan Wu	14286764	20 September 2026	41
29	玄讯	Xuan Wu	14286795	13 May 2025	41

No.	Trademark	Registered owner	Registration number	Expiry date	Class(es)
30		Xuan Wu	14286779	13 May 2025	41
31		Xuan Wu	14286885	27 February 2026	42
32		Xuan Wu	14286903	13 May 2025	42
33	玄讯快销100	Xuan Wu	18383531	13 September 2027	42
34	玄讯快销100	Xuan Wu	18383340	20 October 2027	41
35	玄流量	Xuan Wu	18383395	20 March 2027	41
36	玄讯快销100	Xuan Wu	18383111	27 August 2027	35
37	玄流量	Xuan Wu	18383262	27 December 2026	35
38	玄流量	Xuan Wu	18382990	20 March 2027	9
39	玄讯快销100	Xuan Wu	18383032	27 December 2026	9
40	玄讯快销100	Xuan Wu	18383259	27 September 2027	38
41	玄流量	Xuan Wu	18383219	27 December 2026	38
42		Xuan Wu	18686067	6 December 2027	9
43		Xuan Wu	18686240	20 September 2027	35
44		Xuan Wu	18686445	13 September 2027	41
45		Xuan Wu	18686542	6 October 2027	42
46		Xuan Wu	18686545	6 October 2027	42
47		Xuan Wu	18805816	13 February 2027	42
48		Xuan Wu	18805803	6 September 2027	42
49	玄讯CRM	Xuan Wu	18805748	20 November 2027	41
50		Xuan Wu	18805726	6 September 2027	41
51	玄讯CRM	Xuan Wu	18805219	20 December 2027	9
52		Xuan Wu	18805271	6 April 2028	9

No.	Trademark	Registered owner	Registration number	Expiry date	Class(es)
53		Xuan Wu	18805321	6 April 2028	9
54	即信	Xuan Wu	23175538	6 March 2028	38
55		Xuan Wu	23175255	20 October 2028	38
56	即信	Xuan Wu	23174756	6 March 2028	9
57		Xuan Wu	23175190	13 March 2028	35
58	即信	Xuan Wu	23175116	6 March 2028	35
59		Xuan Wu	23175694	6 March 2028	41
60	即信	Xuan Wu	23175811	6 March 2028	41
61		Xuan Wu	23175601	6 March 2028	42
62	即信	Xuan Wu	23175838	6 March 2028	42
63		Xuan Wu	30520006	13 February 2029	9

(ii) *Trademark registered in Hong Kong*

As at the Latest Practicable Date, our Group has registered the following trademarks in Hong Kong which we consider to be material to our Group's business:

No.	Trademark	Name of applicant	Application number	Application date	Place of application	Class	Status
1	即信	Xuan Wu HK	305698162	26 July 2021	Hong Kong	9, 35, 38, 41, 42	Registered
2	玄讯	Xuan Wu HK	305698153	26 July 2021	Hong Kong	9, 35, 38, 41, 42	Registered
3		Xuan Wu	305617729	7 May 2021	Hong Kong	9, 35, 38, 41, 42	Registered

**(b) Software copyrights**

As at the Latest Practicable Date, our Group had registered the following software copyrights which we consider to be material to our Group's business:

No.	Copyright	Registered owner	Registration number	Registration date
1	M/S Mobile Management Software V1.0 (M/S移動管理軟件V1.0)	Xuan Wu	2011SR021009	6 September 2015
2	SMS Wireless Business Service Software [SMS Business Software] V1.0 (SMS無線商務服務軟件 [SMS商務軟件] V1.0)	Xuan Wu	2011SR016738	6 September 2015
3	Xuanwu MS Mobile Application Configuration Software [MS Configuration system] V1.0 (玄武MS移動應用配置軟件 [MS配置系統] V1.0)	Xuan Wu	2011SR061555	6 September 2015
4	Yixun Kjava Version Mobile Client System [Yixun Kjava Version Client] V1.04 (翼訊Kjava版移動客戶端系統 [翼訊Kjava版客戶端] V1.04)	Xuan Wu	2011SR010946	6 September 2015
5	Yixun Message Business Management Platform System [Yixun Business System] (翼訊企業管理平台系統 [翼訊企業系統] V1.04)	Xuan Wu	2011SR011437	6 September 2015
6	Yixun Marketing Support System [Yixun Marketing System] V1.02 (翼訊營銷支持系統 [翼訊營銷系統] V1.02)	Xuan Wu	2011SR007317	6 September 2015
7	Xuanwu Yixun Mobile Device Management Software [Mobile Device Management Software] V1.0 (玄武翼訊移動設備管理軟件 [移動設備管理軟件] V1.0)	Xuan Wu	2013SR007225	6 September 2015

No.	Copyright	Registered owner	Registration number	Registration date
8	Xuanwu Yixun Mobile Transaction Management Software [Transaction] V1.2 (玄武翼訊移動事務管理軟件 [事務通] V1.2)	Xuan Wu	2013SR009800	6 September 2015
9	400 Express Cloud Service Software [400 Express] V2.1 (400快線雲服務軟件 [400快線] V2.1)	Xuan Wu	2014SR010175	6 September 2015
10	Xuanwu Jixin SMS Cloud Service Software [MOS] V2.0 (玄武即信短信雲服務軟件 [MOS] V2.0)	Xuan Wu	2014SR010167	6 September 2015
11	Xuanwu Jixin Mobile Information Service Software [UMP] V2.6 (玄武即信移動信息服務軟件 [UMP] V2.6)	Xuan Wu	2014SR009884	6 September 2015
12	Xuanwu Xuanxun Feed Industry Mobile CRM Management Software V2.0 (玄武玄訊飼料行業移動CRM管理軟件V2.0)	Xuan Wu	2014SR043528	6 September 2015
13	Xuanwu Xuanxun FMCG Industry Mobile CRM Management Software V2.0 (玄武玄訊快消行業移動CRM管理軟件 V2.0)	Xuan Wu	2014SR044776	6 September 2015
14	Xuanwu Xuanxun Mobile CRM Management Software V2.0 (玄武玄訊移動CRM管理軟件 V2.0)	Xuan Wu	2014SR042989	6 September 2015
15	Xuanwu Xuanxun Mobile CRM Cloud Service Software V2.0 (玄武玄訊移動CRM雲服務軟件 V2.0)	Xuan Wu	2014SR043183	6 September 2015



No.	Copyright	Registered owner	Registration number	Registration date
16	Xuanwu Xuanxun Service Industry Mobile CRM Management Software V2.0 (玄武玄訊服務行業移動CRM管理軟件 V2.0)	Xuan Wu	2015SR157395	12 December 2015
17	Xuanwu Xuanxun Financial Industry Mobile Marketing Management Software [Xuanxun Mobile CRM Financial Version] V2.0 (玄武玄訊金融行業移動營銷管理軟件 [玄訊移動CRM金融版] V2.0)	Xuan Wu	2015SR157852	12 December 2015
18	Xuanwu Xuanxun Information Communication Industry Mobile CRM Management Software V2.0 (玄武玄訊信息通訊行業移動CRM管理軟件 V2.0)	Xuan Wu	2015SR157550	12 December 2015
19	Xuanwu Xuanxun Pharmaceutical Industry Mobile CRM Management Software V2.0 (玄武玄訊醫藥行業移動CRM管理軟件 V2.0)	Xuan Wu	2015SR160323	12 December 2015
20	Xuanwu Xuanxun Manufacturing Mobile CRM Management Software V2.0 (玄武玄訊製造業移動CRM管理軟件 V2.0)	Xuan Wu	2015SR157827	12 December 2015
21	Xuanwu Jixin 400 Express Cloud Service Software [400 Express] V5.4 (玄武即信400快線雲服務軟件 [400快線] V5.4)	Xuan Wu	2016SR282337	30 September 2016
22	Xuanwu Jixin SMS Transparent Gateway Service Software [Transparent Gateway] V2.0 (玄武即信短信透傳網關服務軟件 [透傳網關] V2.0)	Xuan Wu	2016SR282442	30 September 2016

No.	Copyright	Registered owner	Registration number	Registration date
23	Xuanwu Jixin Enjoy Network Flux Service Software [Enjoy Network Flux] V1.4 (玄武即信享流量服務軟件 [享流量] V1.4)	Xuan Wu	2016SR282335	30 September 2016
24	Xuanwu Jixin Mobile Information Service Software [UMP] V4.7 (玄武即信移動信息服務軟件 [UMP] V4.7)	Xuan Wu	2016SR282354	30 September 2016
25	Xuanwu Xuanxun DMS Marketing Management Software [Xuanxun DMS] V6.0 (玄武玄訊DMS營銷管理軟件 [玄訊DMS] V6.0)	Xuan Wu	2016SR247218	5 September 2016
26	Xuanwu Xuanxun O2O Marketing Management Software [Xuanxun O2O] V6.0 (玄武玄訊O2O營銷管理軟件 [玄訊O2O] V6.0)	Xuan Wu	2016SR249005	6 September 2016
27	Xuanwu Xuanxun SFA Marketing Management Software [Xuanxun SFA] V6.0 (玄武玄訊SFA營銷管理軟件 [玄訊SFA] V6.0)	Xuan Wu	2016SR247027	5 September 2016
28	Xuanwu Xuanxun FMCG Industry Mobile CRM Management Software V6.0 (玄武玄訊快消行業移動CRM管理軟件V6.0)	Xuan Wu	2016SR305943	25 October 2016
29	Xuanwu Xuanxun Modern Agriculture Mobile CRM Management Software V6.0 (玄武玄訊現代農業移動CRM管理軟件 V6.0)	Xuan Wu	2016SR309830	27 October 2016
30	Xuanwu Xuanxun Pharmaceutical Industry Mobile CRM Management Software V6.0 (玄武玄訊醫藥行業移動CRM管理軟件 V6.0)	Xuan Wu	2016SR311769	28 October 2016

No.	Copyright	Registered owner	Registration number	Registration date
31	Xuanwu Xuanxun Mobile CRM Management Software V6.0 (玄武玄訊移動CRM管理軟件 V6.0)	Xuan Wu	2016SR306450	25 October 2016
32	Xuanwu Jixin SMS Cloud Service Software [MOS] V4.0 (玄武即信短信雲服務軟件 [MOS] V4.0)	Xuan Wu	2017SR079982	16 March 2017
33	Xuanwu Jixin Mobile Information Service Software [UMP] V5.0 (玄武即信移動信息服務軟件 [UMP] V5.0)	Xuan Wu	2017SR445349	14 August 2017
34	Xuanwu Jixin Cloud Communication Management Software V1.0 (玄武即信雲通信管理軟件 V1.0)	Xuan Wu	2017SR716207	21 December 2017
35	Xuanwu Xuanxun O2O Multi-terminal Member Management Software V1.0 (玄武玄訊O2O多終端會員管理軟件 V1.0)	Xuan Wu	2017SR716140	21 December 2017
36	Xuanwu Xuanxun Invoicing Management Software V1.0 (玄武玄訊進銷存管理軟件 V1.0)	Xuan Wu	2017SR716146	21 December 2017
37	Xuanwu Xuanxun Customer Relationship Management Software V1.0 (玄武玄訊客戶關係管理軟件 V1.0)	Xuan Wu	2017SR713625	21 December 2017
38	Xuanwu Xuanxun Business Mobile Application Development Cloud Management Software [Xuanxun aPaaS] V1.0 (玄武玄訊企業移動應用開發雲管理軟件 [玄訊aPaaS] V1.0)	Xuan Wu	2017SR716181	21 December 2017

No.	Copyright	Registered owner	Registration number	Registration date
39	Xuanwu Xuanxun Mobile CRM Management Software [Xuanxun CRM] V7.0 (玄武玄訊移動CRM管理軟件 [玄訊CRM] V7.0)	Xuan Wu	2017SR445190	14 August 2017
40	Xuanwu Xuanxun Intelligent Identification Software [Xuanxun AI] V2.0 (玄武玄訊智能識別軟件 [玄訊AI] V2.0)	Xuan Wu	2018SR760403	19 September 2018
41	Xuanwu Jixin Intelligent Operation and Maintenance Software [Jixin Ams] V2.0 (玄武即信智能運維軟件 [即信Ams] V2.0)	Xuan Wu	2018SR820024	15 October 2018
42	Xuanwu Mobile CRM Cloud Service Software [Fast Sales 100] V8.2 (玄武移動CRM雲服務軟件 [快銷100] V8.2)	Xuan Wu	2019SR0010537	3 January 2019
43	Xuanwu Cloud of Things Service Software [XWCMP] V1.0 (玄武物聯雲服務軟件 [XWCMP] V1.0)	Xuan Wu	2019SR0110102	30 January 2019
44	Xuanwu Xuanxun Intelligent Identification Software [Xuanxun AI] V4.0 (玄武玄訊智能識別軟件 [玄訊AI] V4.0)	Xuan Wu	2019SR0983350	23 September 2019
45	Xuanwu Jixin Mobile Information Service Software [UMP] V6.0 (玄武即信移動信息服務軟件 [UMP] V6.0)	Xuan Wu	2019SR1070542	22 October 2019
46	Xuanwu Xuanxun Promotion and Guide Management Software [Xuanwu Xuanxun PMM] V8.5 (玄武玄訊促銷導購管理軟件 [玄武玄訊PMM] V8.5)	Xuan Wu	2019SR1105212	31 October 2019

No.	Copyright	Registered owner	Registration number	Registration date
47	Xuanwu Xuanxun Distributor Management Software [Xuanwu Xuanxun DMS] V8.5 (玄武玄訊經銷商管理軟件 [玄武玄訊DMS] V8.5)	Xuan Wu	2019SR1124942	7 November 2019
48	Xuanwu Xuanxun Distributor Data Linking Management Software [Xuanwu Xuanxun D-Link] V8.5 (玄武玄訊經銷商數據對接管理軟件 [玄武玄訊D-Link] V8.5)	Xuan Wu	2019SR1105162	31 October 2019
49	Xuanwu Xuanxun Supermarket Data Linking Management Software [Xuanwu Xuanxun KA-Link] V8.5 (玄武玄訊商超數據對接管理軟件 [玄武玄訊KA-Link] V8.5)	Xuan Wu	2019SR1099533	30 October 2019
50	Xuanwu Xuanxun Sales Force Automation Management Software [Xuanwu Xuanxun SFA] V8.5 (玄武玄訊銷售能力自動化管理軟件 [玄武玄訊SFA] V8.5)	Xuan Wu	2019SR1120086	6 November 2019
51	Xuanwu Xuanxun Marketing Expense Management Software [Xuanwu Xuanxun TPM] V8.5 (玄武玄訊營銷費用管理軟件 [玄武玄訊TPM] V8.5)	Xuan Wu	2019SR1105450	31 October 2019
52	Xuanwu Xuanxun Marketing Data Analysis Software [Xuanwu Xuanxun DI] V8.5 (玄武玄訊營銷數據分析軟件 [玄武玄訊DI] V8.5)	Xuan Wu	2019SR1104533	31 October 2019
53	Xuanwu Xuanxun Cloud Application Configuration Development Software [Xuanwu Xuanxun aPaaS] V8.5 (玄武玄訊雲應用配置開發軟件 [玄武玄訊aPaaS] V8.5)	Xuan Wu	2019SR1122096	6 November 2019

No.	Copyright	Registered owner	Registration number	Registration date
54	Xuanwu Xuanxun 100CRM Software [Xuanwu Fast Sales 100] V8.5 (玄武玄訊100CRM軟件 [玄武快銷100] V8.5)	Xuan Wu	2019SR1166915	18 November 2019
55	Xuanwu Jixin SMS Cloud Service Software [MOS] V6.0 (玄武即信短信雲服務軟件 [MOS] V6.0)	Xuan Wu	2020SR0105341	20 January 2020
56	Xuanwu Jixin Inspection Platform Management Software [NCS] V1.0 (玄武即信即驗平台管理軟件 [NCS] V1.0)	Xuan Wu	2020SR0360961	22 April 2020
57	Xuanwu Xuanxun Marketing Data Analysis Software [Xuanwu Xuanxun BI] V9.0 (玄武玄訊營銷數據分析軟件 [玄武玄訊BI] V9.0)	Xuan Wu	2020SR0527079	28 May 2020
58	Xuanwu Xuanxun Cloud Application Development Software [Xuanwu Xuanxun aPaaS] V9.0 (玄武玄訊雲應用開發軟件 [玄武玄訊aPaaS] V9.0)	Xuan Wu	2020SR0527218	28 May 2020
59	Xuanwu FMCG Industry Smart Sales Cloud Management Software [Smart Sales 100] V5.0 (玄武快消行業智慧雲管理軟件 [智慧100] V5.0)	Xuan Wu	2020SR0566344	4 June 2020
60	Xuanwu Voice Cloud Communication Service Software [Voice Cloud Communication] V3.0 (玄武語音雲通信服務軟件 [語音雲通信] V3.0)	Xuan Wu	2020SR0531286	28 May 2020

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61	Xuanwu Jixin Integration Communication Middle Station Management Software [ICC] V1.0 (玄武即信融合通信中台管理軟件 [ICC] V1.0)	Xuan Wu	2020SR0641058	17 June 2020
62	Xuanwu Xuanxun KA-Link Management Software [Xuanwu Xuanxun KA-Link] V1.0 (玄武玄訊KA-Link管理軟件[玄武玄訊KA-Link] V1.0)	Xuan Wu	2020SR0831825	27 July 2020
63	Xuanwu Large-screen Data Visualisation Software [Xuanwu Large-screen] V1.0 (玄武大屏數據可視化軟件 [玄武大屏] V1.0)	Xuan Wu	2020SR0882760	5 August 2020
64	Xuanwu Data Integration Development Software [Xuanwu iPaaS] V1.0 (玄武數據集成開發軟件[玄武iPaaS] V1.0)	Xuan Wu	2020SR0887286	6 August 2020
65	Xuanwu Intelligent Data Construction and Management Software V1.0 (玄武智能數據構建與管理軟件 V1.0)	Xuan Wu	2020SR0886535	6 August 2020
66	Xuanwu Smart Sales 100 Cloud Management Software [Smart Sales 100] V5.0 (玄武智慧100雲管理軟件 [智慧100] V5.0)	Xuan Wu	2020SR0909474	11 August 2020
67	Xuanwu Intelligent Voice Quality Inspection Software [Intelligent Quality Inspection] V1.0 (玄武智能語音質檢軟件 [智能質檢] V1.0)	Xuan Wu	2020SR0778461	15 July 2020

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68	Xuanwu Omnimedia Intelligent Customer Service Software [Omnimedia Customer Service] V1.0 (玄武全媒體智能客服軟件 [全媒體客服] V1.0)	Xuan Wu	2020SR0806660	21 July 2020
69	Xuanwu Empty Number Detection Management Software [PDS] V1.0 (玄武空號檢測管理軟件 [PDS] V1.0)	Xuan Wu	2020SR1048839	7 September 2020
70	Xuanwu Smart SMS Management Software [SMP] V1.0 (玄武智慧短信管理軟件 [SMP] V1.0)	Xuan Wu	2020SR1053240	7 September 2020
71	2020 Xuanwu FMCG Marketing Analysis Software V1.0 (玄武快消營銷分析軟件 V1.0)	Xuan Wu	2020SR1052738	7 September 2020
72	Xuanwu Mobile Cloud Application Development Software [Xuanxun] V9.0 (玄武移動端雲應用開發軟件 [玄訊] V9.0)	Xuan Wu	2020SR1155333	24 September 2020
73	Xuanwu User Behavior Analysis Software V1.0 (玄武用戶行為分析軟件 V1.0)	Xuan Wu	2020SR1172287	27 September 2020
74	Xuanwu MS Android OS Mobile Client Software [MS Android] V1.0 (玄武MS android OS 移動客戶端軟件 [MS Android端] V1.0)	Xuan Wu	2011SR086797	24 November 2011
75	Xuanwu MS Kjava Mobile Client Software [MS Kjava] V1.0 (玄武MS Kjava移動客戶端軟件 [MS Kjava端] V1.0)	Xuan Wu	2011SR086798	24 November 2011
76	Xuanwu MS windows mobile OS Mobile Client Software [MS WM] V1.0 (玄武MS windows mobile OS 移動客戶端軟件 [MS WM端] V1.0)	Xuan Wu	2011SR086795	24 November 2011



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77	Xuanwu Xuanxun Mobile Application Service Software V1.0 (玄武玄訊移動應用服務軟件V1.0)	Xuan Wu	2014SR044826	17 April 2014
78	Dejiu SaaS Voice Transmission Operation Background Software [SaaS Voice Transmission Operation Background] V2.0 (德久SaaS語音發送運營後台軟件 [SaaS語音發送運營後台] V2.0)	Dejiu	2019SR0174287	22 February 2019
79	Xuanwu MS Mobile Marketing Management Software [MS Marketing System] V1.0 (玄武MS移動營銷管理軟件 [MS營銷系統]V1.0)	Xuan Wu	2011SR055328	6 August 2011
80	Dejiu Cloud Communication Developer Management Software [Cloud Communication Developer Management Software] V2.0 (德久雲通信開發者管理軟件 [雲通信開發者管理軟件] V2.0)	Dejiu	2019SR0383875	24 April 2019
81	Dejiu Cloud Communication Operation Management Software [Cloud Communication Operation Management Software] V2.0 (德久雲通信運營管理軟件 [雲通信運營管理軟件] V2.0)	Dejiu	2019SR0380121	23 April 2019
82	Dejiu Cloud Telemarketing Software [Cloud Electronic Marketing] V2.0 (德久雲電銷軟件 [雲電銷] V2.0)	Dejiu	2019SR0981828	23 September 2019

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83	Dejiu Intelligent Quality Inspection Software [Intelligent Quality Inspection] V1.0 (德久智能質檢軟件 [智能質檢] V1.0)	Dejiu	2019SR0983165	23 September 2019
84	Dejiu Call Centre Service Software [Call Centre] V2.3 (德久呼叫中心服務軟件 [呼叫中心] V2.3)	Dejiu	2020SR0376822	26 April 2020
85	Dejiu Intelligent Quality Inspection Service Software [Intelligent Quality Inspection] V1.3 (德久智能質檢服務軟件 [智能質檢] V1.3)	Dejiu	2020SR0376731	26 April 2020
86	Dejiu Voice Cloud Communication Service Software [Voice Cloud Communication] V3.2 (德久語音雲通信服務軟件 [語音雲通信] V3.2)	Dejiu	2020SR0375604	29 June 2020
87	Dejiu SaaS Voice-messaging Management Software [SaaS Voice-messaging] V2.0 (德久SaaS語音發送管理軟件 [SaaS語音發送] V2.0)	Dejiu	2019SR0170601	22 February 2019
88	Dejiu Unified Operation Management Platform Software [OP] V1.6 (德久統一運營管理平台軟件 [OP] V1.6)	Dejiu	2020SR1879426	23 December 2020
89	Dejiu Intelligent Voice Outbound Robot Software [Intelligent Voice Outbound Robot] V3.0 (德久智能語音外呼機器人軟件 [智能語音外呼機器人] V3.0)	Dejiu	2020SR1894541	25 December 2020

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90	Guanghan Etion Mobile Application Configuration Software [Etion BOS] V1.0 (廣瀚Etion移動應用配置軟件 [Etion BOS] V1.0)	Guangzhou Guanghan	2012SR024071	29 March 2012
91	Guanghan Etion Mobile Marketing Management Software [Etion Marketing System] V1.0 (廣瀚Etion移動營銷管理軟件 [Etion 營銷系統] V1.0)	Guangzhou Guanghan	2012SR022053	21 March 2012
92	Guanghan Etion Mobile Service Management Software [Etion] V1.0 (廣瀚Etion移動服務管理軟件 [Etion] V1.0)	Guangzhou Guanghan	2012SR021822	21 March 2012
93	Mobile Business Operation Platform KJAVA Version of Application System [KJAVA Version of Application System] V1.0 (移動商務運營平台KJAVA版應用系統 [KJAVA版應用系統] V1.0)	Guangzhou Shangyu	2009SR050393	31 October 2009
94	Shangyu Wireless Appreciation Interactive Application System V1.0 (商域無線增值互動應用系統V1.0)	Guangzhou Shangyu	2009SR050050	30 October 2009
95	Mobile Business Operation Platform WINDOWS MOBILE Version of Application System [WINDOWS MOBILE Version of Application System] V1.0 (移動商務運營平台WINDOWS MOBILE版應用系統 [WINDOWS MOBILE版應用系統] V1.0)	Guangzhou Shangyu	2009SR050371	31 October 2009
96	Shangyu Wireless Mobile Appreciation Application Software V1.0 (商域無線移動增值應用軟件V1.0)	Guangzhou Shangyu	2009SR050052	30 October 2009

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97	Mobile Business Operation Platform SYMBIAN Version of Application System [SYMBIAN Version of Application System] V1.0 (移動商務運營平台SYMBIAN版應用系統[SYMBIAN版應用系統] V1.0)	Guangzhou Shangyu	2009SR050391	31 October 2009
98	Xuanwu Intelligent Voice Outbound Robot Software [Intelligent Voice Outbound Robot] V1.0 (玄武智能語音外呼機器人軟件 [智能語音外呼機器人] V1.0)	Xuan Wu	2020SR1523862	27 October 2020
99	Xuanwu Integration Communication Middle Station Management Software [ICC] V2.0 (玄武融合通信中台管理軟件 [ICC] V2.0)	Xuan Wu	2020SR1569131	12 November 2020
100	Xuanwu Intelligent Test Software [Wallego] V1.0 (玄武智能測試軟件 [Wallego] V1.0)	Xuan Wu	2021SR0054151	12 January 2021
101	Xuanwu Automated Packaging Platform Management Software V1.0 (玄武自動化打包平台管理軟件V1.0)	Xuan Wu	2020SR1696657	1 December 2020
102	Xuanwu Jixin Mobile Information Service Software [UMP] V6.1 (玄武即信移動信息服務軟件 [UMP] V6.1)	Xuan Wu	2020SR1760521	8 December 2020
103	Xuanwu Cloud of Things Service Software (玄武物聯雲服務軟件 [XWCMP] V2.0)	Xuan Wu	2020SR1602521	18 November 2020
104	Xuanwu Intelligent Identification Software [Xuanwu AI] V5.0 (玄武智能識別軟件 [玄武AI] V5.0)	Xuan Wu	2020SR1871862	22 December 2020

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105	Xuanwu Feitu OCR Software [Feitu OCR] V1.0 (玄武飛圖OCR軟件 [飛圖OCR] V1.0)	Xuan Wu	2020SR1918338	30 December 2020
106	Xuanwu Integrated Communication Cloud Middle Station Management Software [CICC] V1.0 (玄武融合通信雲中台管理軟件 [CICC] V1.0)	Xuan Wu	2021SR0410532	17 March 2021
107	Xuanwu Cloud of Things Service Software [XWCMP] V3.0 (玄武物聯雲服務軟件 [XWCMP] V3.0)	Xuan Wu	2021SR0717095	19 May 2021
108	Xuanwu Smart Sales 100 Cloud Management Software [Smart Sales 100] V5.2 (玄武智慧100雲管理軟件 [智慧100] V5.2)	Xuan Wu	2021SR0717051	19 May 2021
109	Xuanwu Smart Sales 100 Function Integration Software [Smart Sales 100 Components] V5.2 (玄武智慧100功能集成軟件 [智慧100組件] V5.2)	Xuan Wu	2021SR0757878	25 May 2021
110	Xuanwu Smart Sales 100 Standard Cloud Management Software [Smart Sales 100 Standard Version] V5.2 (玄武智慧100標準雲管理軟件 [智慧100標準版] V5.2)	Xuan Wu	2021SR0961875	29 June 2021
111	Xuanwu DI Smart Cloud Service Platform Management Software [Xuanwu DI] V1.0 (玄武DI智慧雲服務平台管理軟件 [玄武DI] V1.0)	Xuan Wu	2021SR1088775	23 July 2021
112	Xuanwu 5G Message Platform Management Software V1.0 (玄武5G消息平台管理軟件V1.0)	Xuan Wu	2021SR1202635	13 August 2021

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113	Xuanwu Message Push Management Software [iPush] V1.0 (玄武消息推送iPush管理軟件 [iPush] V1.0)	Xuan Wu	2021SR1133970	30 July 2021
114	Xuanwu DMP precision marketing management software [DMP] V1.0 (玄武DMP精準營銷管理軟件 [DMP] V1.0)	Xuan Wu	2021SR1400796	18 September 2021
115	Xuanwu Xuanxun Mobile CRM Software (Sky Edition) [Xuanwu Xuanxun CRM] V4.0 (玄武玄訊移動CRM軟件(蒼穹版)[玄武玄訊CRM] V4.0)	Xuan Wu	2021SR1510014	14 October 2021
116	Xuanwu Smart Sales 100 Function Integration Software [Smart Sales 100 Components] V5.2 (玄武智慧100功能集成軟件 [智慧100組件] V5.2)	Xuan Wu	2021SR1620025	3 November 2021
117	Xuanwu Jixin SMS Cloud Service Software [MOS] V7.0 (玄武即信短信雲服務軟件 [MOS] V7.0)	Xuan Wu	2021SR1615113	2 November 2021
118	Xuanwu Data Intelligent Analysis and Service Software V3.0 (玄武數據智能分析與服務軟件V3.0)	Xuan Wu	2021SR1688070	10 November 2021
119	Xuanwu Xuanxun Cloud Application Development Software [Xuanwu Xuanxun aPaaS] V9.1 (玄武玄訊雲應用開發軟件[玄武玄訊aPaaS] V9.1)	Xuan Wu	2021SR1784177	18 November 2021
120	Xuanwu Intelligent Data Construction and Management Software V3.0 (玄武智能數據構建與管理軟件 V3.0)	Xuan Wu	2021SR1796995	19 November 2021

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121	Dejiu Omnimedia Intelligent Customer Service Software [Omnimedia Customer Service] V4.0 (德久全媒體智能客服軟件[全媒體客服] V4.0)	Dejiu	2021SR1778121	18 November 2021
122	Dejiu Intelligent Voice Outbound Robot Software [Voice Outbound Robot] V4.0 (德久智能語音外呼機器人軟件[語音外呼機器人] V4.0)	Dejiu	2021SR1772007	17 November 2021
123	Dejiu Intelligent Voice Outbound Management Platform [Voice Outbound Management Platform] V4.0 (德久智能語音外呼管理平台[語音外呼管理平台] V4.0)	Dejiu	2021SR1777802	18 November 2021
124	Dejiu Intelligent Customer Service Management Software V1.0 (德久智能客服管理軟件 V1.0)	Dejiu	2021SR1817726	22 November 2021
125	Dejiu Operation Support Software V1.0 (德久運營支持軟件V1.0)	Dejiu	2021SR1970075	2 December 2021
126	Dejiu Quality Inspection Management Platform Software [Quality Inspection Backstage] V1.0 (德久質檢管理平台軟件[質檢後台] V1.0)	Dejiu	2021SR1970093	2 December 2021
127	Xuanwu Cloud of Things Service Software V3.5 (玄武物聯雲服務軟件V3.5)	Xuan Wu	2021SR2038035	10 December 2021
128	Xuanwu Smart Sales 100 Cloud Management Software [Smart Sales 100] V5.3 (玄武智慧100雲管理軟件[智慧100] V5.3)	Xuan Wu	2022SR0099126	14 January 2022

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129	Xuanwu Integration Communication Middle Station Management Software [ICC] V3.0 (玄武融合通信中台管理軟件 [ICC]V3.0)	Xuan Wu	2022SR0350257	16 March 2022
130	Xuanwu Message Push Management Software [iPush] V2.0 (玄武消息推送iPush管理軟件 [iPush]V2.0)	Xuan Wu	2022SR0350957	16 March 2022
131	Xuanwu 5G Message Rich Media Management Software [Xuanwu 5G Message] V1.0 (玄武5G消息富媒體管理軟件 [玄武5G消息]V1.0)	Xuan Wu	2022SR0350244	16 March 2022
132	Xuanwu AI Identification Software [Xuanwu AI] V6.0 (玄武智能識別軟件 [玄武AI]V6.0)	Xuan Wu	2022SR0625455	23 May 2022
133	Xuanwu U-Client 100 Cloud Management Software (玄武U客100雲管理軟件)	Xuan Wu	2022SR0629822	24 May 2022
134	Xuanwu AI Automatic Training Software V1.0 (玄武AI自動訓練軟件V1.0)	Xuan Wu	2022SR0642011	25 May 2022
135	Xuanwu Data Integration Development Software [Xuanwu iPaaS] V2.0 (玄武數據集成開發軟件[玄武iPaaS] V2.0)	Xuan Wu	2022SR0642027	25 May 2022

**(c) Patents**

As at the Latest Practicable Date, our Group had registered the following patents which we consider to be material to our Group's business:

NO.	Patent	Patentee	Patent number	Expiry date
1	Doll (Dumbo) (公仔小飛象)	Xuan Wu	ZL201630004205.7	7 January 2026
2	A method and device of adding to the whitelist (一種加入白名單的方法及裝置)	Xuan Wu	ZL201610764319.0	30 August 2036



NO.	Patent	Patentee	Patent number	Expiry date
3	A business logic execution method, device, and electronic equipment (一種業務邏輯的執行方法、裝置及電子設備)	Xuan Wu	ZL201711475249.8	29 December 2037
4	A design method, device and electronic equipment for a customer relationship management system (一種客戶關係管理系統的設計方法、裝置及電子設備)	Xuan Wu	ZL201711475266.1	29 December 2037
5	A method, device and electronic equipment which applies business intelligence to data query (一種商業智能應用查詢數據的方法、裝置及電子設備)	Xuan Wu	ZL201711341441.8	14 December 2037
6	Text message sending method, device and computer readable storage medium (短信下發方法、裝置與計算機可讀存儲介質)	Xuan Wu	ZL201810360436.X	20 April 2038
7	A securing data transmission method and device based on HTTP (一種基於HTTP的數據安全傳輸方法與裝置)	Xuan Wu	ZL201810361509.7	20 April 2038
8	Method, device and computer readable storage medium for monitoring operation and maintenance (運維監控方法、裝置與計算機可讀存儲介質)	Xuan Wu	ZL201810418577.2	4 May 2038
9	Mobile device with graphical user interface (帶圖形用戶界面的移動設備)	Xuan Wu	ZL201830713162.9	10 December 2028
10	A task scheduling system in multi-tenant environment (一種多租戶環境下的任務調度系統)	Xuan Wu	ZL201910492362.X	6 June 2039

NO.	Patent	Patentee	Patent number	Expiry date
11	Data query method, system, readable storage medium and intelligent device (數據查詢方法、系統、可讀存儲介質及智能設備)	Xuan Wu	ZL201910877963.2	17 September 2039
12	A location method, device and storage medium for product displays (一種商品陳列位置的定位方法、裝置及存儲介質)	Xuan Wu	ZL201910912524.0	25 September 2039
13	A method, device and processing system of data import and data export (一種數據導入方法、數據導出方法、裝置及數據處理系統)	Xuan Wu	ZL201910919000.4	26 September 2039
14	Data compression method, device and system for network access frequency control (網絡訪問頻次管控的數據壓縮方法、裝置及系統)	Xuan Wu	ZL201911073068.1	5 November 2039
15	A Mosaic method and device of shelf scene image (一種貨架場景圖像的拼接方法及裝置)	Xuan Wu	ZL201911182321.7	27 November 2039
16	A management method and device based on enterprise communication channel fusion system (一種基於企業通信渠道融合系統的管理方法及裝置)	Xuan Wu	ZL202010273274.3	9 April 2040
17	A method and system of combining cells in tables based on data (一種基於數據的表格合併單元格的方法及系統)	Xuan Wu	ZL202010551222.8	17 June 2040
18	Link monitoring method, alarm method, system, terminal and storage medium (鏈路監控方法、告警方法、系統、終端及存儲介質)	Xuan Wu	ZL202010649744.1	8 July 2040

NO.	Patent	Patentee	Patent number	Expiry date
19	A picture storage and content display method and device based on Excel (一種基於Excel文件的圖片存儲和內容展示方法及裝置)	Xuan Wu	ZL202011207287.7	3 November 2040
20	A SMS cache method, device and system (一種短信緩存方法、裝置及系統)	Xuan Wu	ZL201911290857.0	13 December 2039
21	Log processing method, system, readable storage medium, and intelligent device (日誌處理方法、系統、可讀存儲介質及智能設備)	Xuan Wu	ZL202010804350.9	12 August 2040
22	A statistical method, terminal equipment and storage medium for stationary goods (一種靜止商品統計方法、終端設備及其存儲介質)	Xuan Wu	ZL202110169851.9	8 February 2041
23	Linking method, device, storage medium and electronic equipment for business interface (業務接口的對接方法、裝置、存儲介質以及電子設備)	Xuan Wu	ZL202110013577.6	6 January 2041
24	Printing method, apparatus and equipment for dynamic configuration page (動態配置頁面的打印方法、裝置及設備)	Xuan Wu	ZL202011394526.4	3 December 2040
25	A warehouse audit method and system based on target detection (一種基於目標檢測的倉儲稽核方法及系統)	Xuan Wu	ZL202011374717.4	1 December 2040
26	A form processing system and method based on front-end Web (一種基於Web前端的表格處理系統及方法)	Xuan Wu	ZL202011227270.8	6 November 2040

NO.	Patent	Patentee	Patent number	Expiry date
27	A panoramic graphic generation method of product position based on video target tracking (基於視頻目標跟蹤的商品擺放位置全景圖形生成方法)	Xuan Wu	ZL202011227759.5	6 November 2040
28	A page performance monitoring method and system based on PaaS front-end engine (一種基於PaaS前端引擎的頁面性能監控方法及系統)	Xuan Wu	ZL202011219742.5	5 November 2040
29	Service packet encoding and decoding method, device and system (業務數據包編碼及解碼方法、裝置及系統)	Xuan Wu	ZL202011219871.4	5 November 2040
30	A method and system of data encryption transmission based on metadata business information (一種基於元數據業務信息的數據加密傳輸的方法、系統)	Xuan Wu	ZL202011206611.3	3 November 2040
31	Control test method, device, terminal and computer readable storage medium (控件測試方法、裝置、終端設備和計算機可讀存儲介質)	Xuan Wu	ZL202011207004.9	3 November 2040
32	A request-response system based on refining processing (一種基於鍊式處理的請求響應系統)	Xuan Wu	ZL202011184645.7	30 October 2040
33	Mobile application login method, device and electronic equipment (移動端的應用程序登錄方法、裝置及電子設備)	Xuan Wu	ZL202011012269.3	24 September 2040
34	Terminal application login method, device and electronic equipment (終端的應用程序登錄方法、裝置及電子設備)	Xuan Wu	ZL202011005942.0	23 September 2040

NO.	Patent	Patentee	Patent number	Expiry date
35	Terminal application registration method, device and electronic equipment (終端的應用程序註冊方法、裝置及電子設備)	Xuan Wu	ZL202011007205.4	23 September 2040
36	A form realisation method, device, computer terminal equipment and storage medium (一種表格實現方法、裝置、計算機終端設備及存儲介質)	Xuan Wu	ZL202010551665.7	16 June 2040
37	A method, device and electronic equipment of the data warehouse's data consanguinity (數據倉庫的數據血緣關係展示方法及裝置、電子設備)	Xuan Wu	ZL202010504422.8	5 June 2040
38	A form data caching method, loading method and device in mobile application (一種移動應用中表單數據緩存方法、加載方法及裝置)	Xuan Wu	ZL202010122273.9	26 February 2040
39	A method, device and electronic equipment of constructing an interactive interface (一種構建交互界面的方法、裝置及電子設備)	Xuan Wu	ZL201711339883.9	14 December 2037
40	An authentication method, device and client (一種身份認證方法、裝置及客戶端)	Xuan Wu	ZL201710608313.9	24 July 2037
41	A device and training method for recognising SKU (一種識別SKU的裝置及訓練方法)	Xuan Wu	ZL202110122450.8	29 January 2041
42	Product display analysis method, device, equipment and storage medium (商品陳列分析方法、裝置、設備及存儲介質)	Xuan Wu	ZL202110391601.X	13 April 2041

NO.	Patent	Patentee	Patent number	Expiry date
43	A photo taking method and system for recognition of display in fridge (一種用於冰櫃陳列識別的拍攝方法及系統)	Xuan Wu	ZL202110427523.4	21 April 2041
44	A calculation method and system of area based on detection of targeted goods on plot (一種基於目標檢測的商品地堆面積計算方法及系統)	Xuan Wu	ZL202110568226.1	25 May 2041
45	Method and device for switching display of web software page (web軟件頁面的顯示模式切換方法和裝置)	Xuan Wu	ZL202110577514.3	26 May 2041
46	A service governance method and system in hybrid-cloud model (一種混雲模式下的服務治理方法及系統)	Xuan Wu	ZL202110568216.8	25 May 2041
47	Query method, system, device and storage medium for mobile form behavior record (移動端表單行為記錄查詢方法、系統、設備及存儲介質)	Xuan Wu	ZL202110822288.0	21 July 2041
48	An integrated system and method for authorisation and authentication based on domain model (一種基於領域模型的授權認證集成系統及方法)	Xuan Wu	ZL202011214932.8	4 November 2040
49	A mobile-based method and system for dynamic display chart (一種基於移動端的動態展示圖表方法及系統)	Xuan Wu	ZL202110323765.9	26 March 2041
50	A real-time tracking and display method and its device for mobile form behavior (一種移動端表單行為實時追蹤及展示方法及其裝置)	Xuan Wu	ZL202110828462.2	22 July 2041

NO.	Patent	Patentee	Patent number	Expiry date
51	A generation method and device and electronic equipment for data model of data warehouse (數據倉庫的數據模型生成方法及裝置、電子設備)	Xuan Wu	ZL202111065893.4	13 September 2041
52	Method, system, terminal and storage medium for message generation (消息生成方法、系統、終端及存儲介質)	Xuan Wu	ZL202010679156.2	15 July 2040
53	A generation method and device and electronic equipment for star-shaped model layout based on front-end Web (一種web前端的星型模型佈局的生成方法及裝置、電子設備)	Xuan Wu	ZL202111473252.2	6 December 2041
54	An intelligent transmission system for 5G message (一種5G消息智能傳輸系統)	Xuan Wu	ZL202111189891.6	13 October 2041
55	Message filtering method, system, terminal and storage medium (消息過濾方法、系統、終端及存儲介質)	Xuan Wu	ZL202011282290.5	17 November 2040
56	A 2D video shooting pathway planning method and device (一種2D拍攝軌跡路徑計算方法及裝置)	Xuan Wu	ZL202111251929.8	27 October 2041
57	Mobile interface modification method and related device, computer terminal equipment and medium (移動端界面的修改方法及其裝置、計算機終端設備和介質)	Xuan Wu	ZL202111190337.X	13 October 2041
58	Video deblurring method, device, terminal equipment and readable storage medium (視頻去運動模糊方法、裝置、終端設備及可讀存儲介質)	Xuan Wu	ZL202111200936.5	15 October 2041

NO.	Patent	Patentee	Patent number	Expiry date
59	A reproduction detection method and system based on fine-grained image (一種基於圖像細粒度特徵翻拍檢測方法及系統)	Xuan Wu	ZL202110323899.0	26 March 2041
60	A processing method for service data logic, device and computer readable storage medium (一種業務邏輯處理方法、設備及計算機可讀存儲介質)	Xuan Wu	ZL201910011185.9	4 January 2039
61	Message managing method, system, electronic equipment and storage medium (消息管理方法、系統、電子設備及存儲介質)	Xuan Wu	ZL202011465185.5	14 December 2040
62	A similarity measurement method for terminal data (一種終端數據相似度度量方法)	Xuan Wu	ZL202110798955.6	14 July 2041
63	A dynamic generation method and device for view component (一種動態生成視圖組件的方法及裝置)	Xuan Wu	ZL202110799172.X	14 July 2041
64	A method and system for realizing event queue (一種事件隊列的實現方法及系統)	Xuan Wu	ZL202110795127.7	14 July 2041
65	Preheating data processing method, device and computer readable storage medium (預熱數據處理方法、裝置及計算機可讀存儲介質)	Xuan Wu	ZL202111514030.0	13 December 2041
66	Image annotation method, device, terminal equipment and storage medium (圖片標注方法、裝置、終端設備及存儲介質)	Xuan Wu	ZL202010468139.4	28 May 2040
67	A method and device for producing tables based on a formula (一種基於公式生成表單的方法及裝置)	Xuan Wu	ZL202210115555.5	7 February 2042



**(d) Domain Names**

As at the Latest Practicable Date, our Group had registered the following domain names which we consider to be material to our Group's business:

No.	Domain name	Registered owner	Registration date	Expiry date
1	139130.com	Xuan Wu	24 July 2005	24 July 2025
2	139130.net	Xuan Wu	12 February 2000	12 February 2025
3	10690400.com	Xuan Wu	20 February 2012	20 February 2023
4	10690400.net	Xuan Wu	20 February 2012	20 February 2023
5	10690400.org	Xuan Wu	20 February 2012	20 February 2023
6	mos400.cn	Xuan Wu	4 July 2016	4 July 2025
7	wxchina.com	Xuan Wu	17 February 2005	17 February 2025
8	xtion.net	Xuan Wu	14 January 2014	14 January 2023
9	xuanwu.net	Xuan Wu	8 May 2002	8 May 2023
10	mos400.net	Guangzhou Guanghan	4 July 2016	4 July 2025
11	wxchina.com.cn	Guangzhou Shangyu	23 January 2007	23 January 2023
12	wxchina.net.cn	Guangzhou Shangyu	23 January 2007	23 January 2023
13	mos400.com	Guangzhou Zhengjun	4 July 2016	4 July 2025
14	mosapi.cn	Guangzhou Zhengjun	10 February 2020	10 February 2024
15	icc6.cn	Guangzhou Zhengjun	8 May 2020	8 May 2023
16	icc6.net	Guangzhou Zhengjun	7 May 2020	7 May 2023
17	xuanwucloud.com.cn	Xuan Wu	11 June 2021	11 June 2025
18	xuanwucloud.net	Xuan Wu	11 June 2021	11 June 2025
19	xuanwucloud.cn	Xuan Wu	9 June 2021	9 June 2025
20	xuanwutechnology.com	Xuan Wu	6 April 2021	6 April 2025
21	xwwireless.com	Xuan Wu	6 April 2021	6 April 2025

No.	Domain name	Registered owner	Registration date	Expiry date
22	xuanwuwireless.com	Xuan Wu	6 April 2021	6 April 2025
23	xwsaas.com	Xuan Wu	6 April 2021	6 April 2025
24	xuanwusaas.com	Xuan Wu	6 April 2021	6 April 2025
25	xwwwkj.com.cn	Xuan Wu	18 March 2021	18 March 2025
26	xwwwkj.net.cn	Xuan Wu	18 March 2021	18 March 2025
27	xwwwkj.cn	Xuan Wu	18 March 2021	18 March 2025
28	xwwwkj.net	Xuan Wu	18 March 2021	18 March 2025
29	xwwwkj.com	Xuan Wu	14 January 2021	14 January 2025
30	bingokite.com	Guangzhou Zhengjun	30 April 2021	30 April 2025
31	xw88.cn	Guangzhou Zhengjun	1 January 2021	1 January 2025
32	xuanwu.hk	Xuan Wu	11 June 2021	10 June 2023
33	xuanwucloud.hk	Xuan Wu	11 June 2021	10 June 2023
34	d9cloud.com	Dejiu	6 May 2017	6 May 2023
35	139130.com.cn	Dejiu	9 April 2019	9 April 2023
36	yt3.cn	Guangzhou Zhengjun	9 June 2021	9 June 2025
37	xwdll.cn	Guangzhou Zhengjun	9 June 2021	9 June 2025
38	urlxw.cn	Guangzhou Zhengjun	9 June 2021	9 June 2025
39	xwdlj.cn	Guangzhou Zhengjun	9 June 2021	22 September 2025
40	ghxxkj.com	Guangzhou Guanghan	4 November 2021	4 November 2024
41	xuanwuyun.cn	Xuan Wu	27 September 2021	27 September 2025
42	xuanwuyun.net	Xuan Wu	27 September 2021	27 September 2025
43	d9cloud.cn	Dejiu	22 April 2021	22 April 2023

Save as disclosed above, as at the Latest Practicable Date, there were no other trademarks, service marks, patents, intellectual property rights, or individual property rights which are or may be material in relation to our business.

**C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

**1. Interests Discloseable under the SFO and Substantial Shareholders**

*(a) Directors' interests and short positions in the share capital and debentures of our Company and its associated corporations*

Immediately following completion of the Capitalisation Issue and the Global Offering (but without taking account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option), the interests or short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Hong Kong Stock Exchange, in each case once the Shares are listed on the Hong Kong Stock Exchange, will be as follows:

*(i) Interests/short positions in the Shares of our Company*

<b>Name of Director or Chief Executive</b>	<b>Nature of interest</b>	<b>Number of Shares Interested upon Listing</b>	<b>Approximate percentage of Shareholding upon Listing</b>
Mr. Chen <sup>(1)</sup>	Interest of controlled corporation	298,932,230	53.35%
Mr. Huang <sup>(1)</sup>	Interest of controlled corporation	298,932,230	53.35%
Mr. Li <sup>(1)</sup>	Interest of controlled corporation	298,932,230	53.35%
Mr. Guo Haiqiu <sup>(2)</sup>	Interest of controlled corporation	13,500,000	2.41%

*Notes:*

- (1) Mr. Chen, Mr. Huang and Mr. Li have been acting in concert with each other.

Zhenghao Global is beneficially owned as to 100% by Mr. Chen. Mr. Chen is deemed to be interested in all the Shares held by Zhenghao Global for the purpose of the SFO.

Honghan Worldwide is beneficially owned as to 100% by Mr. Huang. Mr. Huang is deemed to be interested in all the Shares held by Honghan Worldwide for the purpose of the SFO.

Double Winner is beneficially owned as to 100% by Mr. Li. Mr. Li is deemed to be interested in all the Shares held by Double Winner for the purpose of the SFO.

As of the Latest Practicable Date, each of the ESOP Platforms was a limited partnership established in the PRC. Guangzhou Xuandong, Guangzhou Xuanxi, Guangzhou Xuannan and Guangzhou Xuanbei held 3,150,000, 1,800,000, 1,350,000 and 1,350,000 Shares in our Company, respectively.

Mr. Chen holds more than one third of the interest in Guangzhou Xuandong and is the sole executive partner of each of Guangzhou Xuanxi, Guangzhou Xuannan and Guangzhou Xuanbei. As such, under the SFO, Mr. Chen is deemed to be interested in the total of 7,650,000 Shares held by Guangzhou Xuandong, Guangzhou Xuanxi, Guangzhou Xuannan and Guangzhou Xuanbei.

- (2) East Pride Development is beneficially owned as to 100% by Mr. Guo Haiqiu. Mr. Guo Haiqiu is deemed to be interested in all the Shares held by East Pride Development for the purpose of the SFO.

(ii) *Interest in associated corporation*

Name of Director	Nature of interest	Name of associated corporation	Approximate percentage of shareholding
Mr. Chen	Beneficial owner	Zhenghao Global <sup>(1)</sup>	100.00%
	Beneficial owner	Guangzhou Xuanxi <sup>(4)</sup>	46.84%
	Beneficial owner	Guangzhou Xuandong <sup>(4)</sup>	34.14%
	Beneficial owner	Guangzhou Xuannan <sup>(4)</sup>	32.46%
	Beneficial owner	Guangzhou Xuanbei <sup>(4)</sup>	34.47%
	Beneficial owner	Xuan Wu	19.19%
Mr. Huang	Beneficial owner	Honghan Worldwide <sup>(2)</sup>	100.00%
	Beneficial owner	Xuan Wu	12.61%
Mr. Li	Beneficial owner	Double Winner <sup>(3)</sup>	100.00%
	Beneficial owner	Guangzhou Xuanxi <sup>(4)</sup>	21.94%
	Beneficial owner	Xuan Wu	10.49%
	Beneficial owner	Guangzhou Xuanbei <sup>(4)</sup>	2.23%
	Beneficial owner	Guangzhou Xuannan <sup>(4)</sup>	1.98%
Mr. Guo Haiqiu	Beneficial owner	Xuan Wu	2.57%

*Notes:*

- (1) Zhenghao Global is the holding company of our Company and therefore an “associated corporation” of our Company within the meaning of Part XV of the SFO. Immediately following the completion of Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), Zhenghao Global held 100,968,000 Shares of our Company which accounted for approximately 18.0197% of the total share capital of the Company.
- (2) Honghan Worldwide is the holding company of our Company and therefore an “associated corporation” of our Company within the meaning of Part XV of the SFO. Immediately following the completion of Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), Honghan Worldwide held 66,311,770 Shares of our Company which accounted for approximately 11.8346% of the total share capital of the Company.
- (3) Double Winner is the holding company of our Company and therefore an “associated corporation” of our Company within the meaning of Part XV of the SFO. Immediately following the completion of Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), Double Winner held 55,152,460 Shares of our Company which accounted for approximately 9.8430% of the total share capital of the Company.
- (4) Guangzhou Xuandong, Guangzhou Xuannan, Guangzhou Xuanxi and Guangzhou Xuanbei are holding companies of our Company and therefore an “associated corporations” of our Company within the meaning of Part XV of the SFO. Immediately following the completion of Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), Guangzhou Xuandong, Guangzhou Xuannan, Guangzhou Xuanxi and Guangzhou Xuanbei held 31,500,000 Shares, 13,500,000 Shares, 18,000,000 Shares and 13,500,000 Shares of our Company which accounted for approximately 5.6218%, 2.4093%, 3.2124% and 2.4093% respectively of the total share capital of our Company.

***(b) Substantial Shareholders***

Save as referred to in the section headed “Substantial Shareholders” in this prospectus, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has any interest or short position in the Shares and underlying Shares of our Company which, once the Shares are listed, would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly interested in 10% or more of the issued voting shares of our Company.

(c) *Interests of the substantial shareholders of any member of our Group (other than our Company)*

Save as set out in the table below, as of the Latest Practicable Date, our Directors are not aware of any persons (not being Directors or chief executive of our Company) who would, immediately following the completion of Capitalisation Issue and the Global Offering (without taking into account the exercise of Over-allotment Option) be directly or indirectly interested in 10% or more of the issued voting shares of any member of our Group (except our Company).

<b>Name</b>	<b>Nature of interests</b>	<b>Name of members of our Group</b>	<b>Percentage of shareholding</b>
Mr. Luo Zhijian	Beneficial owner	Dejiu	30.00%
Mr. Song	Beneficial owner	Xuan Wu	16.94%

**2. Particulars of service contracts**

(a) *Executive Directors*

Each of our executive Directors has entered into a service contract with our Company for a term of three years until terminated by not less than three months' notice in writing served by either party on the other.

The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

(b) *Non-executive Director and Independent Non-executive Directors*

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with our Company for a term of one year with effect from the Listing Date. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee while the non-executive Directors are not entitled to any remuneration. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

(c) *Director remuneration*

Save as disclosed above, none of our Directors has entered into any service contract 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).

The aggregate amount of remuneration (including fees, salaries, bonuses, allowances and other benefits in kind such as contributions to pension plans) which was paid to our Directors for the four years ended 31 December 2018, 2019, 2020 and 2021 were RMB2.1 million, RMB2.2 million, RMB2.1 million and RMB2.8 million respectively.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the four years ended 31 December 2018, 2019, 2020 and 2021.

Save as disclosed above, no other amounts have been paid or are payable by any member of our Group to our Directors for the four years ended 31 December 2018, 2019, 2020 and 2021.

Pursuant to the existing arrangements that are currently in force as of the date of this prospectus, the amount of remuneration (including benefits in kind but excluding discretionary bonuses) payable to our Directors by our Company for the year ended 31 December 2022 is estimated to be approximately RMB3.5 million in aggregate. During the Track Record Period, no remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Company. No compensation was paid to, or receivable by, our Directors, past Directors or the five highest paid individuals for the Track Record Period for the loss of office as director of any member of our Group or any other office in connection with the management of the affairs or any member of our Group.

Details of the terms of the above service contracts, please refer to the paragraph headed “C. Further Information About our Directors and Substantial Shareholders — 2. Particulars of service contracts” in this Appendix.

### **3. Fees or commissions received**

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are referred to in the paragraph headed “E. Other information — 8. Consents of experts” in this appendix had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

The Underwriters will receive an underwriting commission as referred to in the paragraph headed “Underwriting — Underwriting arrangements and expenses — International Offering — Commissions and expenses” in this prospectus.

### **4. Related party transactions**

During the two years immediately preceding the date of this prospectus, we have engaged in the significant related party transactions as described in note 33 of the Accountant’s Report set out in Appendix I to this prospectus.

**D. DISCLAIMERS**

Save as disclosed in this prospectus:

- a. none of our Directors or chief executives has any interests and short positions in the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Hong Kong Stock Exchange, in each case once our Shares are listed on the Hong Kong Stock Exchange;
- b. none of our Directors nor any of the parties referred to in the paragraph headed “E. Other Information — 7. Qualification of experts” in this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us;
- c. save as disclosed in this prospectus or in connection with the Underwriting Agreements, none of our Directors nor any of the parties referred to in the paragraph headed “E. Other information — 7. Qualification of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;
- d. other than pursuant to the Underwriting Agreements, none of the parties referred to in the paragraph headed “E. Other information — 7. Qualification of experts” in this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- e. so far as is known to our Directors, none of our Directors or their respective associates (as defined under the Listing Rules) or any of our Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our top five suppliers or our top five clients.



**E. OTHER INFORMATION****1. Litigation**

As at the Latest Practicable Date, we are not aware of any litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

**2. The Sole Sponsor**

The Sole Sponsor will be paid by our Company a total fee of HK\$5.4 million to act as a sponsor to our Company in connection with the Listing.

The Sole Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules.

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option). All necessary arrangements have been made to enable such Shares into CCASS.

**3. Preliminary expenses**

Save as referred to in the paragraph headed “Financial Information — Listing expense” in this prospectus, we have not incurred any material preliminary expenses.

**4. Taxation of holders of shares****(a) Hong Kong**

Dealings in Shares registered on our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.13% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

**(b) The Cayman Islands**

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *People's Republic of China*

We may be treated as a PRC resident enterprise for PRC enterprise income tax purposes. In that case, distributions to our Shareholders may be subject to PRC withholding tax and gains from dispositions of our Shares may be subject to PRC tax. For details, please refer to the paragraph headed "Risk Factors — Risks relating to conducting business in the PRC — We may be classified as a "PRC resident enterprise" for PRC enterprise income tax purposes, which could result in unfavourable tax consequences to us and our Shareholders, and have a material adverse effect on our business, results of operations and financial condition" in this prospectus.

(d) *Consultation with professional advisers*

Intending holders of Shares are recommended to consult their professional tax advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, person, resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

**5. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**6. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

## 7. Qualification of experts

The qualifications of the experts who have given opinions or advice which are contained in this prospectus are as follows:

Name	Qualification
CMB International Capital Limited	Licenced corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Beijing Zhong Lun Law Firm (Shenzhen Office)	Legal advisor to our Company as to PRC law
Ogier	Legal advisor to our Company as to Cayman Islands law
PricewaterhouseCoopers	Certified Public Accountants under the Professional Accountant Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under the Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

## 8. Consents of experts

Each of the experts as referred to in the paragraph headed “E. Other information — 7. Qualification of experts” in this Appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of its reports, letters, and/or opinions (as the case may be) and the references to its names included in the form and context in which it respectively appears.

None of the experts named has any shareholding interests in any member of our Company or the right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of our Company.

## 9. Compliance Advisor

We have appointed Altus Capital Limited as our Compliance Advisor upon the Listing in compliance with Rule 3A.19 of the Listing Rules.

**10. Tax and Other Indemnity**

The Controlling Shareholders have entered into the Deed of Indemnity in favour of our Group (being a material contract referred to in the paragraph headed “B. Further information about our business — 1. Summary of material contracts” in this Appendix) to provide the indemnities in respect of, among other things, taxation resulting from profits or gains earned, accrued or received, as well as any penalties imposed due to non-compliance with any applicable laws and regulations on or before the Listing Date when the Global Offering becomes unconditional, save:

- (a) to the extent that specific provision or reserve has been made for such taxation in the audited consolidated financial statements of our Group as set out in Appendix I;
- (b) to the extent that the liability for such taxation would not have arisen but for any act or omission of, or delay by, any member of our Group after the Listing Date; and
- (c) to the extent such loss arises or is incurred only as a result of a retrospective change in law or regulations or the interpretation or practice thereof by any relevant authority coming into force after the Listing Date.

**11. Promoters**

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed above, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits have been paid, allotted or given to any promoters in connection with the Global Offering or the related transactions described in this prospectus.

**12. Miscellaneous**

- a. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
  - i. no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
  - ii. no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - iii. no founders or management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;

- iv. 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 its subsidiaries; and
    - v. no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries.
  - b. Our Group had not issued any debentures nor did it have any outstanding debentures or any convertible debt securities.
  - c. Our Directors confirm that:
    - i. there has been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2021 (being the date to which the latest audited consolidated financial statements of the Group were prepared);
    - ii. there is no arrangement under which future dividends are waived or agreed to be waived; and
    - iii. there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months immediately preceding the date of this prospectus.
  - d. Subject to the provisions of the Cayman Islands Companies Act, the register of members of our Company will be maintained in the Cayman Islands by Our Principal Share Registrar and Transfer Office. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands.
  - e. All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.
  - f. No company within our Group is presently listed on any stock exchange or traded on any trading system.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) a copy of the **GREEN** Application Form;
- (b) the written consents referred to in the paragraph headed “Statutory and General Information — E. Other information — 8. Consents of experts” in Appendix IV to this prospectus; and
- (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 prospectus.

**DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the Hong Kong Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company’s website at [cloud.wxchina.com](http://cloud.wxchina.com) up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountant’s Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Company for the Track Record Period;
- (e) the PRC legal opinions issued by our PRC Legal Advisor on PRC law, in respect of certain general corporate matters and property interests of our Group and in respect of certain aspects of PRC law referred to in the section headed “Contractual Arrangements” in this prospectus;
- (f) the letter of advice prepared by Ogier, our legal adviser on Cayman Islands law, summarising certain aspects of Cayman Islands Companies Act referred to in Appendix III to this prospectus;
- (g) the report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a summary of which is referred to in the section headed “Industry Overview” in this prospectus;
- (h) the Cayman Islands Companies Act;

- (i) the written consents referred to in the paragraph headed “Statutory and General Information — E. Other information — 8. Consents of experts” in Appendix IV to this prospectus;
- (j) 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 prospectus; and
- (k) the service contracts and the letters of appointment with our Directors referred to in the paragraph headed “Statutory and General Information — C. Further Information About our Directors and Substantial Shareholders — 2. Particulars of service contracts” in Appendix IV to this prospectus.



Xuan Wu Cloud Technology Holdings Limited

玄武云科技控股有限公司

