

元力控股有限公司

OneForce Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 01933

GLOBAL OFFERING

Sole Sponsor



Sole Global Coordinator,
Sole Bookrunner and Sole Lead Manager



IMPORTANT

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

OneForce Holdings Limited 元力控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 96,000,000 Shares
Number of Hong Kong Offer Shares	: 9,600,000 Shares (subject to reallocation)
Number of International Offer Shares	: 86,400,000 Shares (subject to reallocation)
Offer Price	: Not more than HK\$0.96 per Offer Share and expected to be not less than HK\$0.72 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.01 per Share
Stock code	: 1933

Sole Sponsor



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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 "1. Documents delivered to the Registrar of Companies" 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 and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date or such later date as may be agreed by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) but in any event no later than Wednesday, 21 February 2018. The Offer Price will be not more than HK\$0.96 per Offer Share and is expected to be not less than HK\$0.72 per Offer Share, unless otherwise announced.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with our Company's consent, reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, a notice of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Such notice will also be available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.oneforce.com.cn. Further details are set out in the sections headed "Structure of the Global Offering" and "How to apply for the Hong Kong Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before Wednesday, 21 February 2018, the Global Offering will not become unconditional and will lapse immediately.

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

The obligations of the Hong Kong Underwriter under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus.

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 or to, or for the account or benefit of U.S. persons, except that Offer Shares may be offered, sold or delivered (i) to Qualified Institutional Buyers in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A, or another available exemption from registration under the U.S. Securities Act; and (ii) outside the United States in accordance with Regulation S.

12 February 2018

EXPECTED TIMETABLE

Time⁽¹⁾

Latest time for completing electronic applications under HK eIPO White Form service through the designated website www.hkeipo.hk ⁽²⁾	11:30 a.m. on Thursday, 15 February 2018
Application lists open ⁽³⁾	11:45 a.m. on Thursday, 15 February 2018
Latest time for lodging WHITE and YELLOW Application Forms	12:00 noon on Thursday, 15 February 2018
Latest time for completing payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, 15 February 2018
Latest time for giving electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Thursday, 15 February 2018
Application lists close ⁽³⁾	12:00 noon on Thursday, 15 February 2018
Expected Price Determination Date ⁽⁵⁾	Tuesday, 20 February 2018
Announcement of the 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 to be published (a) in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and (b) on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.oneforce.com.cn ⁽⁶⁾	Thursday, 1 March 2018
Results of allocation in the Hong Kong Public Offering (with successful applicants' identification document or business registration numbers, where appropriate) to be available through a variety of channels, including the website of the Stock Exchange at www.hkexnews.hk , the website of our Company at www.oneforce.com.cn , the Hong Kong Public Offering allocation results telephone enquiry line and the special allocation results booklets as described in the paragraph headed "11. Publication of results" under the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus	Thursday, 1 March 2018
Results of allocation in the Hong Kong Public Offering will be available at the designated result of allocation website at www.tricor.com.hk/ipo/result with a "search by ID" function from	Thursday, 1 March 2018

EXPECTED TIMETABLE

Time⁽¹⁾

Despatch/collection of share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before^{(7-9) (12)} Thursday, 1 March 2018

Despatch/collection of refund cheques in respect of wholly successful (where applicable) or wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before⁽⁶⁾⁽⁸⁻¹²⁾ Thursday, 1 March 2018

Despatch/collection of HK eIPO White Form e-Auto Refund payment instructions in respect of wholly successful (where applicable) or wholly or partially successful applications on or before⁽⁶⁾⁽⁸⁻¹²⁾ Thursday, 1 March 2018

Dealings in the Shares on the Stock Exchange to commence on 9:00 a.m. on Friday, 2 March 2018

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 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.
- (3) If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 15 February 2018, the application lists will not open or close on that day. Further information is set out in the paragraph headed “10. Effect of bad weather on the opening of the application lists” under the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus. If the application lists do not open and close on Thursday, 15 February 2018, the dates mentioned in this section may be affected. An announcement will be made by us in such event.
- (4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the paragraph headed “6. Applying by giving electronic application instructions to HKSCC via CCASS” under the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus.
- (5) The Price Determination Date is expected to be on or around Tuesday, 20 February 2018 and, in any event, not later than Wednesday, 21 February 2018. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us by Wednesday, 21 February 2018, the Global Offering will not proceed and will lapse.
- (6) e-Auto Refund payment instruction/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 Offer Price is less than the price payable per Hong Kong 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 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 cashing the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheque.

EXPECTED TIMETABLE

- (7) Share certificates will only become valid at 8:00 a.m. on Friday, 2 March 2018 provided that the Global Offering has become unconditional in all respects and the right of termination described 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. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, the Global Offering will not proceed. In such a case, our Company will make an announcement as soon as possible thereafter.
- (8) Applicants who have applied on **WHITE** Application Forms or through the **HK eIPO White Form** service for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or share certificates in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Thursday, 1 March 2018 or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who is eligible for personal collection may not authorise any other person to collect on their behalf. Applicants being corporations which is eligible for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Hong Kong Branch Share Registrar at the time of collection.
- (9) Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares may collect their refund cheques, if any, in person but may not collect their share certificates as such share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants’ stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
- (10) For applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions**, their refund (if any) will be credited to their designated bank account or the designated bank account of the designated CCASS Participant through which they made their application on Thursday, 1 March 2018. For applications who have instructed their designated CCASS Participant (other than CCASS Investor Participant) to give **electronic application instructions** on their behalf, they can check the amount of refund (if any) payable to them with that designated CCASS Participant. For applicants who have applied as CCASS Investor Participant, they can check the amount of refund (if any) payable to them via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Thursday, 1 March 2018 or in the activity statement showing the amount of refund money credited to their designated bank account made available to them by HKSCC immediately after the credit of refund money to their bank account. Please refer to the paragraph headed “14. Despatch/collection of share certificates and refund monies” under the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus for details.
- (11) Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through single bank accounts may have refund monies (if any) despatched to that bank account in the form of e-Auto Refund payment instructions on Thursday, 1 March 2018. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund cheques on Thursday, 1 March 2018 by ordinary post at their own risk.
- (12) Uncollected share certificate(s) and refund cheque(s) will be despatched by ordinary post at the applicants’ own risk to the addresses specified in the relevant applications. Further details are set out in the paragraph headed “14. Despatch/collection of share certificates and refund monies” under the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus.

The above expected timetable is a summary only. You should refer to the sections headed “Structure of the Global Offering” and “How to apply for the Hong Kong Offer Shares” in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering and the procedures for application for the Hong Kong Offer Shares.

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IMPORTANT NOTICE TO INVESTORS

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 security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in other jurisdictions and the offering and sale of the Offer Shares in other jurisdictions may not be made except as permitted under the applicable securities laws of such jurisdiction 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 and the Application Forms 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 included in this prospectus must not be relied on by you as having been authorised by us, any of our Directors, affiliates, advisers, agents or representatives or any person or party involved in the Global Offering. Information contained in our website, www.oneforce.com.cn, does not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are an information technology service provider in China’s electric power industry. Our product/service offerings primarily include: electric power related software systems, technical services and hardware.

In the value chain of China’s electric power industry, electric power, in general, is generated by electric power generation companies and then being transmitted and distributed to electricity users by electric power grid companies and electric power retailing companies. With the introduction of the New Reform by the State Council in March 2015, electricity generated by electric power generation companies can be bought and sold among the aforesaid market participants. Our main business is the provision of Software Systems and Technical Services to various electric power grid companies and electric power retailing companies to enhance their management and control of electric power distribution and Technical Services in relation to electric power exchange by providing technical staff to SGCC Group in relation to its electric power exchange platform.

During the Track Record Period, our product/service offerings and major customers/users are as follows:

Business segment	Major product/service offerings	Major customers/users
Sale of Software Systems	Design and implementation of tailor-made software systems in relation to electric power selling and management, with major functions including data collection and monitoring, customer services, billing and payment as well as administration in relation to electric power selling and management	– IMPG Group and other local electric power grid companies
Provision of Technical Services	Technical Services in relation to electric power selling and management: maintenance and upgrading services for software systems in relation to electric power selling and management	– IMPG Group and other local electric power grid companies
	Technical Services in relation to electric power exchange: outsourcing services by providing technical staff to customer in relation to the electric power exchange platform of the customer	– SGCC Group
Sale of hardware	Hardware in relation to electric power selling and management for payment of electricity bills and meter readers	– Electric power grid companies

Note: We disposed of certain businesses to Chinasoft Beijing in 2012 and undertook that we should no longer carry out services in relation to electric power selling and management for SGCC Group. For details, please refer to the sub-sub-paragraph headed “(3) The Along Grid’s Undertaking” under the sub-paragraph headed “(iii) The Disposal” under the paragraph headed “Business development of our Group” in the section headed “History and development and Reorganisation” in this prospectus.

In view of the emergence of electric power retailing companies after the New Reform, we have developed cloud-based services (namely Huidianyun) in relation to electric power selling and management specifically designed for small to medium size electric power retailing companies and such services was officially launched in November 2017.

SUMMARY

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

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Sale of Software Systems	7,733	16.1	21,108	35.7	42,835	48.9	8,586	42.3	14,590	53.4
Provision of Technical Services	33,174	69.3	32,370	54.8	25,619	29.4	8,966	44.1	10,455	38.3
Sale of hardware	6,992	14.6	5,569	9.4	18,884	21.7	2,760	13.6	2,264	8.3
Total	47,899	100.0	59,047	100.0	87,338	100.0	20,312	100.0	27,309	100.0

General outlook of the electric power industry in the PRC and demand of our product/service offerings

With the constantly growing demand for electric power, the Chinese government, according to the CIC Report, has been increasing its annual investment to optimise China's electric power transmission and distribution industry. As China's electric power transmission and distribution industry has been adopting the use of information technologies in the distribution and transmission process, there has been an increasing demand for (i) electric power software systems and corresponding services which include (a) the provision of electric power selling and management system for automated meter reading and demand side management for the use of electricity, such as our Software Systems; and (b) maintenance, upgrading and technical support services supporting electric power selling and management system, such as our Technical Services; and (ii) relevant hardware which allows data collection and storage.

In March 2015, the New Reform was introduced by the State Council in order to, among others, (i) accelerate the construction of electric power exchange platform to facilitate easier access and more transparent trading of electricity; and (ii) encourage state-owned electric power grid companies to operate as market-oriented enterprises to achieve efficient use of electricity. Private companies have been encouraged to be established as electric power retailing companies in China's electric power transmission and distribution industry to purchase and re-sell electricity. Accordingly, it is also expected that the demand for Software Systems and Technical Services in relation to electric power exchange will grow. As at the Latest Practicable Date, among the electric power retailing companies that have been established during the period, only some of them have commenced operation.

COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths:

- we provide tailor-made Software Systems and Technical Services to our customers;
- we are an experienced provider of Software Systems and Technical Services with core technological expertise;
- we are able to retain and secure recurring customers, and focus on providing quality after-sale services;
- we have an experienced research and development and customer service department with customisation capabilities; and
- we have an experienced management team with industry knowledge, management skills and technical know-how.

SUMMARY

OUR STRATEGIES

Our strategies consist of the following:

- further enhancement of our research and development capabilities;
- expansion of our customer base;
- enhancing and expanding product/service offerings; and
- further strengthening our business and technical know-how through acquisitions or investment.

RISK FACTORS

We believe a few of the more significant risks relating to our business are as follows:

- we rely on a few customers;
- we do not have long-term contractual arrangements with our customers;
- we are subject to certain undertaking which may restrict our future business development;
- our future performance and reputation are dependent on our core competence, our ARSP and our ability to continue to develop and provide respective new and improved Software Systems and Technical Services;
- any delay in payments from our customers may affect our working capital and cash flow;
- the nature of our income is generally project based and derived from project agreements with fixed price, and we may not be awarded with project agreements in competitive tendering; and
- we may be unable to estimate our project costs accurately, failure of which may adversely affect the pricing of our bids and hence our gross profit and results of operation.

The above risks are not the only significant risks and you should read the section headed “Risk factors” in this prospectus carefully.

CUSTOMERS

During the Track Record Period, our five largest customers include IMPG Group, SGCC Group, Tianjin TEDA and electric power software systems solution providers. For the three years ended 31 March 2017 and the five months ended 31 August 2017, our five largest customers in aggregate accounted for approximately 98.63%, 98.89%, 97.23% and 98.35% respectively of our total revenue, and sale to our largest customer accounted for approximately 35.15%, 42.71%, 56.08% and 69.82% of our total revenue, respectively. There was a notable concentration in our customer base as the management and operation of nearly all of the electric power grids in the PRC are concentrated in SGCC Group, IMPG Group and CSG. During the Track Record Period, a majority part of our revenue was derived from IMPG Group and SGCC Group.

SUMMARY

SGCC Group and IMPG Group spread across most of the provinces in China and the west Inner Mongolia, and they are operated and managed by separate independent entities. During the Track Record Period, our sale of Software Systems to IMPG Group and our provision of Technical Services to SGCC Group and IMPG Group only covered certain areas or provinces such as Beijing, Ordos and Bayannur. With the promulgation of the New Reform, private electric power retailing companies are permitted to be established to purchase and re-sell electricity. Software Systems in relation to electric power selling and management are designed to meter the consumption of electricity and to manage the use of electricity. Software systems and technical services will be required for electric power retailing companies. Our electric power related Software Systems and Technical Services from electric power retailing companies is expected to be required going forward.

Save as our Founding Shareholders who were collectively indirectly interested in approximately 0.23% of the issued shares of a company whose shares are listed on the Main Board of the Stock Exchange, which wholly owned Chinasoft Beijing as at the Latest Practicable Date, none of our Directors or any of their respective associates or, to the knowledge of our Directors, shareholders who own more than 5% of our issued share capital as at the Latest Practicable Date, had any interest in any of our five largest customers during the Track Record Period.

Submission of tenders

Our contracts for Software Systems and Technical Services are mainly obtained on a project basis through tender process. The following table sets out the number of tenders submitted and the respective success rate regarding our services during the Track Record Period and up to the Latest Practicable Date:

	Year ended 31 March						Five months ended 31 August		The period between 1 September 2017 and the Latest Practicable Date	
	2015		2016		2017		2017		Number of tenders submitted	Success rate (%)
	Number of tenders submitted	Success rate (%)	Number of tenders submitted	Success rate (%)	Number of tenders submitted	Success rate (%)	Number of tenders submitted	Success rate (%)		
Sale of Software Systems	11	100.0	21	100.0	10	100	3	100	1	100
Provision of Technical Services	10	100.0	10	100.0	15	100	2	100	11	90.9
Sale of hardware	19	36.8	20	55.0	51	62.7	21	52.4	29	72.4

We have been providing and selling Software Systems and Technical Services to our major customers, namely IMPG Group and SGCC Group, for more than five years. In particular, our sale of Software Systems and provision of Technical Services in relation to electric power selling and management to IMPG Group were made under the Single Source Procurement arrangement policy during the Track Record Period. The Single Source Procurement arrangement policy is a tendering process through which IMPG Group for each of its individual projects selects one of the potential suppliers who can fulfill a number of specific criteria and/or qualifications, such as technical competency and track record experience in relation to the relevant systems of IMPG Group, to tender for the projects which is open for opposition by other parties on a public tendering online platform and subject to final acceptance by such company. Under the Single Source Procurement arrangement policy, tenderors will only submit tenders if they are invited; therefore, we have achieved a 100% tender success rate for our sale of Software Systems and provision of Technical Services to IMPG Group during the Track Record Period. In respect of the provision of Technical Services in relation to electric power exchange to SGCC Group, we have been accredited as a qualified service provider since April 2015, under which we are entitled to enter into monthly contracts with SGCC Group for the relevant Technical Services. The accreditation is granted on annual/bi-annual basis and is valid up to May 2018. Therefore, we have achieved a 100% tender success rate for our provision of Technical Services to SGCC Group during the Track Record Period.

As a result of our long business relationship with each of IMPG Group and SGCC Group, we are familiar with their electric power selling and management software systems, which were originally

SUMMARY

developed by us, and have built up strong competitive edge and barriers against potential new market entrants. Further, as part of our marketing strategies, we have a total of 124 regional technical staff stationed in different areas in the PRC to be readily available for providing services or advice to our customers as at 31 August 2017.

SUPPLIERS

During the Track Record Period, our five largest suppliers mainly include suppliers of hardware and ancillary software for our Software Systems. For the three years ended 31 March 2017 and the five months ended 31 August 2017, aggregate purchase from our top five suppliers accounted for approximately 53.29%, 65.01%, 47.89% and 82.81% of our total purchases respectively, while the largest supplier accounted for approximately 17.04%, 22.92%, 16.43% and 26.87% of our total purchases respectively.

None of our Directors or any of their respective associates, or to the knowledge of our Directors, shareholders who owns more than 5% of our issued share capital as at the Latest Practicable Date, had any interests in any of our five largest suppliers during the Track Record Period. For further details regarding our suppliers, please refer to the paragraph headed “Our suppliers” under the section headed “Business” of this prospectus.

SUMMARY OF FINANCIAL INFORMATION

Selected items from consolidated statements of comprehensive income

	Year ended 31 March			Five months ended 31 August	
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i> (unaudited)	2017 <i>RMB'000</i>
Revenue	47,899	59,047	87,338	20,312	27,309
Gross profit	23,089	30,486	39,456	9,014	12,764
Profit from operations	16,650	26,138	21,692	4,263	7,328
Profit before taxation	15,491	25,635	21,692	4,263	7,328
Profit for the year/period attributable to equity shareholders of the Company	13,421	22,168	18,004	3,489	6,075

SUMMARY

Revenue, gross profit and gross profit margin

The following table sets out a breakdown of our total revenue, gross profit and gross profit margin by segment and customer for the periods presented:

	Five months ended 31 August																		
	Year ended 31 March						2017												
	2015		2016		2017		2016		2017		2017								
Revenue RMB'000	Percentage of total revenue %	Gross profit margin %	Revenue RMB'000	Percentage of total revenue %	Gross profit margin %	Revenue RMB'000	Percentage of total revenue %	Gross profit margin %	Revenue RMB'000	Percentage of total revenue %	Gross profit margin %	Revenue RMB'000	Percentage of total revenue %	Gross profit margin %					
Sale of Software																			
Systems																			
- IMPG Group	5,673	11.8	59.7	17,628	29.9	10,963	62.2	34,777	39.8	21,188	60.9	5,358	26.4	3,322	62.0	14,590	53.4	8,321	57.0
- Tianjin TEDA	1,655	3.5	27.3	—	—	—	—	3,419	3.9	964	28.2	2,358	11.6	618	26.2	—	0.0	—	—
- Others	405	0.8	60.5	3,480	5.8	2,254	64.8	4,639	5.2	2,877	62.0	870	4.3	524	60.3	—	0.0	—	—
<i>Sub-total:</i>	7,733	16.1	52.8	21,108	35.7	13,217	62.6	42,835	48.9	25,029	58.4	8,586	42.3	4,464	52.0	14,590	53.4	8,321	57.0
Provision of Technical Services																			
- IMPG Group	3,784	7.9	65.4	3,049	5.2	2,242	73.5	4,460	5.1	3,196	71.7	2,104	10.4	1,422	67.6	3,440	12.6	2,062	59.9
- SGCC Group	16,421	34.3	49.0	20,247	34.3	6,773	33.5	20,843	23.9	8,010	38.4	6,817	33.6	2,336	34.3	6,251	22.9	1,586	25.4
- Tianjin TEDA	129	0.3	72	55.8	11	0.0	6	271	0.3	149	55.0	—	0.0	—	—	314	1.1	73	23.2
- Chinasoft Beijing	12,448	26.0	78.13	9,060	15.3	6,967	76.9	—	—	—	—	—	0.0	—	—	—	0.0	—	—
- Others	392	0.8	219	55.9	3	0.0	3	45	0.1	21	46.7	45	0.2	18	39.7	450	1.6	186	41.4
<i>Sub-total:</i>	33,174	69.3	56.2	32,370	54.8	15,991	49.4	25,619	29.4	11,376	44.4	8,966	44.1	3,776	42.1	10,455	38.3	3,907	37.4
Sale of hardware																			
- IMPG Group	3,392	7.1	5.9	4,540	7.7	933	20.6	9,745	11.3	1,868	19.2	1,148	5.7	302	26.3	1,039	3.8	286	27.6
- SGCC Group	414	0.9	5.1	385	0.7	109	28.3	—	—	—	—	—	0.0	—	—	—	0.0	—	—
- Tianjin TEDA	2,985	6.2	111	3.7	479	0.8	137	2,078	2.4	444	21.4	1,400	6.9	413	29.5	252	0.9	92	36.3
- Others	201	0.4	47	23.4	165	0.3	99	7,061	8.0	739	10.5	212	1.0	59	27.8	973	3.6	158	16.3
<i>Sub-total:</i>	6,992	14.6	380	5,569	9.5	1,278	22.9	18,884	21.7	3,051	16.2	2,760	13.6	774	28.0	2,264	8.3	536	23.7
Total	47,899	100.0	23,089	59,047	100.0	30,486	48.2	87,338	100.0	39,456	45.2	20,312	100.0	9,014	44.4	27,309	100.0	12,764	46.7

SUMMARY

Revenue

Our revenue derived from sale of Software Systems increased by approximately 173.0% from 2015 to 2016. Due to certain internal reorganisation and adjustments of corporate strategies of IMPG Group in 2015, both the number of contracts and average contract sum in relation to our contracts with IMPG Group decreased in 2015. Our business with IMPG Group rebound in 2016. Our revenue derived from sale of Software Systems further increased by approximately 102.9% from 2016 to 2017 principally due to (i) the increase in the number of projects and completion of a number of projects with IMPG Group; (ii) completion of a major project with Tianjin TEDA; and (iii) the active expansion of our business in the Xinjiang Province.

Our revenue derived from our sale of hardware increased by approximately 239.1% from 2016 to 2017 due to the increase in the number of contracts with IMPG Group and active expansion of our business in the Xinjiang Province.

Cost of sales

Our cost of sales primarily consists of labour costs, servicing costs, purchase cost of equipment and materials, rental expenses, and travel and transportation expenses.

Gross profit and gross profit margin

Our gross profit margin in 2016 increased to approximately 51.6% from approximately 48.2% in 2015, mainly due to certain internal reorganisation and adjustments of corporate strategies of IMPG Group in 2015, during which both the number of contracts and average contract sum in relation to our contracts with IMPG Group decreased. Our business with IMPG Group rebound in 2016. On the other hand, certain components of our cost of sales such as labour costs in 2016 did not increase proportionally. Our gross profit margin decreased from approximately 51.6% in 2016 to approximately 45.2% in 2017 principally due to the increase in the proportion of our revenue derived from the sale of hardware, which generally generates a lower gross profit margin. Our overall gross profit margin was consistently high during the Track Record Period as a substantial portion of our overall gross profit margin was contributed to our sale of Software Systems and provision of Technical Services to IMPG Group. As we, having been the major provider of Software Systems and Technical Services to IMPG Group since 2011, are more familiar with the specific requirements of IMPG Group on its Software Systems and Technical Services than those of our other customers, we were more capable to control the cost of sale for our sale of Software Systems and provision of Technical Services to IMPG Group as compared to other customers. On the other hand, we have established a local client-service team and network in the west Inner Mongolia over the years. Therefore, our Group has relatively strong bargaining power on pricing in relation to our business with IMPG Group. Since we have (i) relatively strong bargaining power on pricing; and (ii) more efficient cost control for our sale of Software Systems and provision of Technical Services to IMPG Group, we were able to maintain high gross profit margin during the Track Record Period. We believe that these competitive advantages are also barriers for our competitors which could be difficult to overcome in a short period of time. Therefore, we expect such relatively high gross profit margin should persist going forward.

Other income

Our other income during the Track Record Period included refunds of VAT, income in connection with award from arbitration case, government subsidy income received by our Group for the payment of our interest expense of bank loans under the relevant measure issued by the Zhongguancun Science Park with a view to promote the development of the innovative enterprises in the PRC.

Selected items from consolidated statements of financial position

	As at 31 March			As at
	2015	2016	2017	31 August
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2017
				<i>RMB'000</i>
Non-current assets	2,608	4,610	6,561	7,704
Current assets	122,619	106,426	122,350	122,601
Current liabilities	70,201	46,099	18,804	15,287
Total assets less current liabilities	55,026	64,937	110,107	115,018
Non-current liabilities	326	573	418	309
Net assets	54,700	64,364	109,689	114,709

SUMMARY

Selected items from consolidated statements of cash flow

	Year ended 31 March			Five months ended 31 August 2017
	2015 RMB'000	2016 RMB'000	2017 RMB'000	RMB'000
Net cash generated from/(used in) operating activities	2,947	49,809	(18,793)	13,925
Net cash used in investing activities	(2,127)	(2,932)	(3,568)	(2,043)
Net cash (used in)/generated from financing activities	(5,577)	(43,115)	50,123	—
Net (decrease)/increase in cash and cash equivalents	<u>(4,757)</u>	<u>3,762</u>	<u>27,762</u>	<u>11,882</u>

Net cash used in operating activities for 2017 was approximately RMB18.8 million, which was mainly due to an increase in trade and bill receivables of approximately RMB32.0 million, which was partly offset by the profit before taxation of approximately RMB21.7 million.

KEY FINANCIAL RATIOS AND TURNOVER DAYS

	As at or for the year ended 31 March			As at or for the five months ended 31 August 2017
	2015	2016	2017	2017
Profitability ratios				
Net profit margin (%)	28.0	37.5	20.6	22.2
Return on assets(%)	10.7	20.0	14.0	11.2
Return on equity(%)	24.5	34.4	16.4	12.7
Liquidity ratio				
Current ratio	1.7	2.3	6.5	8.0
Capital adequacy ratio				
Gearing ratio(%)	56.3	42.0	14.9	12.0
Turnover days				
Trade receivables turnover days (days)	421.9	313.8	224.2	362.0
Trade and bill receivables turnover days (without taking into account the retention receivables) (days)	392.6	307.7	190.8	309.2
Trade payables turnover days (days)	39.9	32.3	20.5	23.6

Our gearing ratio decreased from approximately 56.3% as at 31 March 2015 to approximately 42.0% as at 31 March 2016, mainly due to the decrease in current liabilities caused by the decrease in borrowings as at 31 March 2016. Our gearing ratio decreased from approximately 42.0% as at 31 March 2016 to approximately 14.9% as at 31 March 2017, mainly due to the increase in total asset as a result of our business expansion and proceeds from the pre-IPO investment.

There is a significant difference between our trade receivables turnover days and trade payables turnover days during the Track Record Period. The time taken to receive payments from our customers is significantly longer than the time required to pay our suppliers. Therefore, we may suffer from a cash flow mismatch in our operation. As at the Latest Practicable Date, approximately RMB14.9 million, or 43.4%, of our trade and bill receivables (excluding gross amount due from customers for contract work) outstanding as at 31 August 2017 had been subsequently settled. For further details regarding the reasons for the fluctuations in our trade receivable turnover days during the Track Record Period, please refer to the sub-paragraph headed “Trade and bill receivables” under the paragraph headed “Discussion of certain key items on the consolidated statements of financial position” under the section headed “Financial information” in this prospectus.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial and trading position or prospects since 31 August 2017, and there is no event since 31 August 2017 which would materially affect the information shown in the Accountants’ Report as set out in Appendix I to this prospectus.

SUMMARY

In November 2017, we officially launched Huidianyun, cloud-based services in relation to electric power selling and management specifically designed for small to medium size electric power retailing companies. We have been engaged by six new electric power retailing company customers for the provision of the Huidianyun services up to the Latest Practicable Date. For further details of Huidianyun, please refer to the sub-paragraph headed “Enhancing and expanding product/service offerings” under the paragraph headed “Our strategies” in the section headed “Business” in this prospectus.

As at the Latest Practicable Date, we had a total of 15 projects with backlog (representing projects that had been undertaken). The outstanding sum of our backlog projects as of the Latest Practicable Date was approximately RMB50.1 million, taking into account (i) the outstanding contract sum as at 31 August 2017; (ii) contracts newly entered from 1 September 2017 up to the Latest Practicable Date; and (iii) completed contracts from 1 September 2017 up to the Latest Practicable Date, in respect of sale of Software Systems and provision of Technical Services.

Upon receipt of invitation of tender, our Group was invited by SGCC Group for five tenders in November 2017 to extend its service scope to Technical Services in areas such as research and development on visual reality, big data development, electric power distribution system and hardware implementation, as well as related maintenance and our Group was awarded with the project agreements in relation to four out of five tenders in December 2017. These four project agreements involved our provision of outsourcing services by providing relevant technical staff to SGCC Group. To the best knowledge of our Directors, SGCC Group invited tenders for the above projects as they required additional technical staff to supplement their existing technical staff team in their relevant projects. Our Group has submitted a tender to SGCC Group in December 2017 for the Software Systems in relation to its electric power despatching systems and our Group was awarded with the project agreement in relation to such project in the same month. To the best knowledge of our Directors, such Software System project was derived from the ad hoc demand of SGCC Group and is an ancillary project to supplement its existing electric power despatching systems in use. Due to the reasons stated, tendering of the above projects by SGCC Group was not conducted in the first quarter of the year, which is considered the typical tender cycle as stated in the sub-paragraph headed “Credit policy” under the paragraph headed “Sales and marketing” in the section headed “Business” in this prospectus. The total contract sum to be recognised for the year ending 31 March 2019 is expected to amount to approximately RMB1,779,200.

LISTING EXPENSES

The estimated listing expenses primarily consist of legal and professional fees in relation to Listing and underwriting commission. The estimated total listing expenses incurred or to be incurred are approximately RMB25.3 million, of which RMB16.7 million was or will be charged to expenses and RMB8.6 million was or will be recognised as prepayments for costs incurred in connection with the proposed initial public offering of our Shares and expect to be deducted directly from equity upon the issue of new Shares. We incurred listing expenses of approximately RMB13.2 million during the Track Record Period, of which RMB9.7 million was recognised as expenses, and RMB3.5 million was recognised as prepayments as at 31 August 2017 and is expected to be deducted in equity directly upon the issue of new shares. We expect to incur listing expenses of approximately RMB12.1 million after 31 August 2017, of which RMB6.9 million is expected to be recognised as expenses, and RMB5.2 million is expected to be recognised as prepayments and deducted in equity directly upon the issue of new Shares.

Our financial results for the year ending 31 March 2018 will be affected by non-recurring expenses in relation to Listing. Whether or not Listing eventually occurs, a major portion of the listing expenses will be incurred and recognised as expenses, which will reduce our net profit and therefore negatively affect our financial performance for the year ending 31 March 2018. In addition, if Listing were to be postponed due to market conditions, we would need to incur additional listing expenses for our future listing plan, which would further negatively affect our future net profit. As a result, our business, financial performance, results of operation and prospect would be materially and adversely affected.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$0.84 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$50.78 million, after deduction of underwriting fees and commissions and estimated expenses payable in connection with the Global Offering. We intend to use the net proceeds of the Global Offering for the following purposes:

- (a) approximately 35%, or HK\$17.77 million, will be used to enhance our research and development capabilities of which approximately (i) 8.6%, or HK\$1.53 million, will be used to purchase more equipment; (ii) 57.1%, or HK\$10.15 million, will be used to expand our research and development and customer service department; (iii) 14.3%, or HK\$2.54 million, will be used to provide more trainings to our technical staff; and (iv) 20%, or HK\$3.55

SUMMARY

million, will be used to invest in our collaboration with third-party institutions for researching into and testing new and enhanced software;

- (b) approximately 20%, or HK\$10.16 million, will be used to expand our customers base;
- (c) approximately 20%, or HK\$10.16 million, will be used to expand our product/service offerings;
- (d) approximately 15%, or HK\$7.61 million, will be used to acquire or invest in companies with proprietary know-how or inventions of software or products in relation to electric power selling and management; and
- (e) approximately 10%, or HK\$5.08 million, will be used to replenish our working capital.

The above allocation of 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.

DIVIDEND

We do not have a fixed dividend policy and cannot guarantee dividends will be paid in the future subject to, among other things, applicable laws and regulations. Declaration of dividends after Listing will be the discretion of our Board and will depend on our results of operation, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividend by us, future prospects and other factors that our Directors may consider relevant. There can be no assurance that our Company will be able to distribute any dividend in the amount set out in any plan of the Board or at all.

During the Track Record Period, our Group declared a dividend of approximately RMB65.5 million, RMB12.5 million, nil and nil, respectively, of which approximately RMB30.0 million and RMB48.0 million had already been settled by payment in cash on 3 August 2015 and offsetting receivables from the then equity holder of Along Grid, namely Aige Reide, respectively before Listing.

OFFERING STATISTICS

	Based on an Offer Price of HK\$0.72 per Share	Based on an Offer Price of HK\$0.96 per Share
Market capitalisation ⁽¹⁾	HK\$274.37 million	HK\$365.83 million
Unaudited pro forma adjusted net tangible assets per Share ⁽²⁾	HK\$0.47	HK\$0.53

Notes:

- (1) The calculation of market capitalisation is based on 381,072,000 Shares expected to be in issue following the Global Offering.
- (2) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in Appendix II to this prospectus and on the basis of 381,072,000 Shares in issue at the respective Offer Prices of HK\$0.72 per Share and HK\$0.96 per Share.

OUR FOUNDING SHAREHOLDERS AND PRE-IPO INVESTMENT

Our Founding Shareholders

Immediately after completion of the Capitalisation Issue and the Global Offering (assuming that no Shares are issued pursuant to any options which may be granted under the Share Option Scheme), our Company will be owned as to approximately 15.745% by Mr. Wang through Smart East, 15.745% by Mr. Wu through Union Sino, 15.745% by Mr. Li through Main Wealth and 15.745% by Mr. Cao through Long Eagle. As at the Latest Practicable Date, each of Smart East, Union Sino, Main Wealth and Long Eagle was wholly owned by Mr. Wang, Mr. Wu, Mr. Li and Mr. Cao, respectively. Each of Smart East, Union Sino, Main Wealth and Long Eagle is an investment holding company.

Pre-IPO Investment

On 7 September 2016, a subscription agreement (as supplemented by an amendment deed dated 19 October 2017) was entered into between Mr. Wang, Mr. Wu, Mr. Li, Mr. Cao, Smart East, Union Sino, Main Wealth, Long Eagle, Chance Talent (an Independent Third Party) and our Company, pursuant to which Chance Talent conditionally agreed to subscribe for 1,878 Shares (representing approximately 15.812% of the shareholding in our Company at the time of completion of such pre-IPO investment and approximately 11.828% of the shareholding of our Company immediately upon completion of the Global Offering and the Capitalisation Issue (assuming that no Shares are issued pursuant to any options which may be granted under the Share Option Scheme)) for a cash consideration of HK\$30,000,000.

DEFINITIONS

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

“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Aige Reide”	北京艾格瑞德科技有限公司 (Beijing Aige Reide Technology Company Limited*), an enterprise established in the PRC with limited liability on 3 December 2009, which was owned by Mr. Wang, Mr. Wu, Mr. Li and Mr. Cao as to 25%, 25%, 25% and 25%, respectively, as at the Latest Practicable Date
“Aige Reide Investment”	北京艾格瑞德投資有限公司 (Beijing Aige Reide Investment Company Limited*), an enterprise established in the PRC with limited liability on 29 April 2010, which was wholly-owned by Aige Reide as at the Latest Practicable Date
“Aipu Zhicheng”	北京艾普智城網絡科技有限公司 (Beijing Aipu Zhicheng Internet Technology Company Limited*), an enterprise established in the PRC with limited liability on 27 December 2013, which was owned by Aige Reide and two Independent Third Parties as to approximately 85.5% and approximately 14.5% in aggregate as at the Latest Practicable Date
“Along Grid”	北京愛朗格瑞科技有限公司 (Beijing Along Grid Technology Company Limited*), a wholly foreign owned enterprise established in the PRC with limited liability on 25 May 2011, a wholly-owned subsidiary of our Company
“Along Grid’s Undertaking”	the undertaking of Along Grid to Chinasoft Beijing entered into, pursuant to a sale and purchase agreement dated 27 December 2012 that Along Grid and companies, enterprises, institutions, individuals or other entities which, whether directly or indirectly, obtain control of Along Grid undertake not to carry out any business of provision of Software Systems or Technical Services in relation to, among others, the electric power selling and management for the SGCC Group. Further details regarding such agreement and undertaking are set out in the sub-sub-paragraph headed “(3) The Along Grid’s Undertaking” under the sub-paragraph headed “(iii) The Disposal” under the paragraph headed “Business development of our Group” under the section headed “History and development and Reorganisation” in this prospectus

DEFINITIONS

“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s), individually or collectively, as the context may require
“Articles of Association” or “Articles”	the articles of association of our Company conditionally approved by the written resolutions of the Shareholders on 5 February 2018 and effective upon Listing, a summary of which is set out in Appendix III to this prospectus, and as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of the share premium account of our Company as referred to in the sub-paragraph headed “3. Resolutions of our Shareholders” under the paragraph headed “Further information about our Group” in Appendix IV to this prospectus
“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 general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedure and administrative requirements relating to the operations and functions of CCASS, as from time to time in force

DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CCBI Investments”	CCBI Investments Limited, an investment holding company incorporated with limited liability under the laws of the Cayman Islands on 10 November 2004 and an indirectly wholly-owned subsidiary of China Construction Bank Corporation, a company listed on the Main Board of the Stock Exchange (stock code: 939) and the Shanghai Stock Exchange (stock code: 601939)
“Chance Talent”	Chance Talent Management Limited, a company incorporated in the BVI on 4 July 2007 with limited liability, which was wholly-owned by CCBI Investments, a Substantial Shareholder as at the Latest Practicable Date
“China Southern Grid”	electric power grids covering Southern China, and managed by CSG, one of the two major state-owned cross-provincial electric power grids in the PRC
“Chinasoft Beijing”	北京中軟國際信息技術有限公司 (Chinasoft International Information Technology Limited*), one of our top five customers for each of the two years ended 31 March 2016, which is a software systems solution provider established in the PRC, being an indirect wholly-owned subsidiary of Chinasoft International Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 354)
“CIC”	China Insights Consultancy Limited, an industry expert and Independent Third Party, hired to conduct an analysis of, and to report on electric power selling and management system industry in China’s electric power transmission and distribution industry
“CIC Report”	the report prepared by CIC on electric power selling and management system industry in China’s electric power transmission and distribution industry
“Citimax Development”	CITIMAX DEVELOPMENT LIMITED (成萬發展有限公司), a company incorporated in Hong Kong on 26 January 2016 with limited liability, a wholly-owned subsidiary of our Company
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Law” or “Cayman Companies Law”	the Companies Law, Cap. 22 (Laws 3 of 1961, as consolidated and revised) of the Cayman Islands

DEFINITIONS

“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” or “our Company”	OneForce Holdings Limited (元力控股有限公司), a company incorporated in the Cayman Islands on 5 July 2016 as an exempted company with limited liability
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CSG”	中國南方電網 (China Southern Power Grid Company Limited), an Independent Third Party, a major state-owned cross-provincial electric power grid company which is principally engaged in electric power transmission, transformation and distribution in Southern China
“Customers – Suppliers”	customers of our Group who were also suppliers of our Group at the same time during the Track Record Period
“Director(s)”	the director(s) of our Company
“Disposal Businesses”	the businesses of the provision of Technical Services in relation to the electric power selling and management for SGCC Group that Along Grid disposed of to Chinasoft Beijing pursuant to a sale and purchase agreement dated 27 December 2012 entered into between Along Grid and Chinasoft Beijing
“EIT”	enterprise income tax of the PRC
“First Magic”	FIRST MAGIC INTERNATIONAL LIMITED, a company incorporated in the BVI on 9 June 2015 with limited liability, a wholly-owned subsidiary of our Company
“Founding Shareholders”	collectively, Smart East, Union Sino, Main Wealth, Long Eagle, Mr. Wang, Mr. Wu, Mr. Li and Mr. Cao
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Offering

DEFINITIONS

“ GREEN application form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the subsidiaries of our Company or the businesses operated by its present subsidiaries or (as the case may be) its predecessor
“ HK eIPO White Form ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form at www.hkeipo.hk
“ HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website www.hkeipo.hk
“HK\$” or “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the Hong Kong Branch Share Registrar of our Company
“Hong Kong Legal Counsel”	Mr. Leung, Richard W.K., barrister-at-law and our legal counsel as to certain aspects of Hong Kong law in connection with the pre-IPO investment, of which the details has been stated in the paragraph headed “Pre-IPO investment” under the section headed “History and development and Reorganisation” in this prospectus
“Hong Kong Offer Shares”	the 9,600,000 Shares initially offered for subscription pursuant to 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 offering by our Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong, as further described in the section headed “Structure of the Global Offering” in this prospectus

DEFINITIONS

“Hong Kong Underwriter”	the underwriter of the Hong Kong Public Offering listed in the paragraph headed “Hong Kong Underwriter” under the section headed “Underwriting” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 9 February 2018 relating to the Hong Kong Public Offering and entered into by our Company, our executive Directors, our Founding Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong Underwriter (namely Founder Securities (Hong Kong) Limited), as further described in the sub-sub-paragraph headed “Hong Kong Underwriting Agreement” under the sub-paragraph headed “Hong Kong Public Offering” under the paragraph headed “Underwriting arrangements and expenses” under the section headed “Underwriting” in this prospectus
“IMPG Grid”	electric power grids covering Inner Mongolia, and managed by IMPG Group, a state-owned provincial electric power grid in the PRC
“IMPG Group”	內蒙古電力(集團)有限責任公司 (Inner Mongolia Power (Group) Company Limited*), an Independent Third Party, a state-owned provincial electric power grid company, together with its subsidiaries, is principally engaged in the electric power transmission, transformation and distribution in the west Inner Mongolia; being one of our top five customers for each of the three years ended 31 March 2017 and the five months ended 31 August 2017
“Independent Third Party(ies)”	a person, persons, company or companies which is or are independent of, and not connected with (within the meaning under the Listing Rules), any directors, chief executive or substantial shareholders of our Company, any of its subsidiaries or any of their respective associate(s)
“Inner Mongolia”	Inner Mongolia Autonomous Region of the PRC
“International Offer Shares”	the 86,400,000 Shares initially offered for subscription pursuant to the International Offering, subject to reallocation as described 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 Underwriter, as further described in the section headed “Structure of the Global Offering” in this prospectus

DEFINITIONS

“International Underwriter”	the underwriter of the International Offering that is expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or around 15 February 2018 by our Company, our executive Directors, our Founding Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the International Underwriter in respect of the International Offering, as further described in the sub-sub-paragraph headed “International Underwriting Agreement” under the paragraph headed “International Offering” under the paragraph headed “Underwriting arrangements and expenses” under the section headed “Underwriting” in this prospectus
“Latest Practicable Date”	2 February 2018, being the latest practicable date for the inclusion of certain information in this prospectus prior to its publication
“Listing”	listing of the Shares on the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about 2 March 2018, on which our Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Long Eagle”	LONG EAGLE INTERNATIONAL LIMITED, a company incorporated in the BVI on 26 November 2015 with limited liability, which is wholly owned by Mr. Cao, a Substantial Shareholder and one of our Founding Shareholders
“LY Capital” or “Sole Sponsor”	LY Capital Limited, a corporation registered under the SFO permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
“Main Board”	the Main Board of the Stock Exchange
“Main Wealth”	MAIN WEALTH DEVELOPMENT LIMITED, a company incorporated in the BVI on 18 March 2016 with limited liability, which is wholly owned by Mr. Li, a Substantial Shareholder and one of our Founding Shareholders

DEFINITIONS

“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted upon incorporation of our Company (as amended from time to time), a summary of which is set out 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”	The Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Cao”	Mr. Cao Wei (曹瑋), a Substantial Shareholder and one of our Founding Shareholders
“Mr. Li”	Mr. Li Kangying (李抗英), a Substantial Shareholder and one of our Founding Shareholders
“Mr. Wang”	Mr. Wang Dongbin (王東斌), an executive Director and chairman of the Board, a Substantial Shareholder and one of our Founding Shareholders
“Mr. Wu”	Mr. Wu Zhanjiang (吳戰江), a Substantial Shareholder and one of our Founding Shareholders
“NDRC”	The 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)
“Non-competition Undertaking”	a non-competition undertaking signed by our Founding Shareholders, details of which are set out in the section headed “Relationship with our Founding Shareholders” in this prospectus
“NPC”	The National People’s Congress (全國人民代表大會)
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%), at which the Hong Kong Offer Shares are to be subscribed, to be determined in the manner further described in the section headed “Underwriting” in this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares, collectively
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC

DEFINITIONS

“PRC” or “China”	the People’s Republic of China, except where the context requires otherwise, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Legal Advisers”	Jingtian & Gongcheng, legal advisers to our Company as to PRC law
“Price Determination Date”	on or before Tuesday, 20 February 2018 or such later time as may be agreed by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) at which time the Offer Price is determined
“Qualified Institutional Buyers”	qualified institutional buyers within the meaning of Rule 144A
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	refers to the reorganisation arrangement undergone by our Group in preparation for the Global Offering as described in the paragraph headed “Reorganisation” under the section headed “History and development and Reorganisation” in this prospectus
“Rule 144A”	Rule 144A under the U.S. Securities Act
“RMB”	Renminbi, the official currency of the PRC
“SAFE”	The State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAT”	The State Administration of Taxation of the PRC (國家稅務總局)
“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
“SGCC Grid”	electric power grids managed by SGCC Group, covering 26 provinces, autonomous regions and municipalities, one of the two major state-owned cross-provincial electric power grid in the PRC
“SGCC Group”	國家電網公司 (State Grid Corporation of China), an Independent Third Party, a major state-owned cross-provincial electric power grid company, together with its subsidiaries and operating companies, are principally engaged in electric power transmission, transformation and distribution in the PRC, other than the west Inner Mongolia and Southern China; being one of our top five customers for each of the three years ended 31 March 2017 and the five months ended 31 August 2017

DEFINITIONS

“Share(s)”	ordinary share(s) of our Company with a nominal value of HK\$0.01 each, to be subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
“Shareholder(s)”	holder(s) of the Share(s)
“Smart East”	SMART EAST LIMITED, a company incorporated in the BVI on 27 November 2015 with limited liability, which is wholly owned by Mr. Wang, a Substantial Shareholder and one of our Founding Shareholders
“Sole Bookrunner” or “Sole Lead Manager”	Founder Securities (Hong Kong) Limited
“Sole Global Coordinator”	Founder Securities (Hong Kong) Limited, a corporation registered under the SFO permitted to carry on Type 1 (dealing in securities) regulated activity under the SFO, the Sole Global Coordinator of the Global Offering
“Southern China”	collectively, the five southern provinces in the PRC, including Guangdong, Guangxi, Yunan, Guizhou and Hainan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs in Hong Kong as approved by the SFC and as amended, supplemented or otherwise modified from time to time
“Tianjin TEDA”	天津泰達津聯電力有限公司 (Tianjin TEDA Jinlian Electric Power Company Limited*), one of our top five customers for the year ended 31 March 2015, the year ended 31 March 2017 and the five months ended 31 August 2017, which is an electric power generation company as well as electric power distribution company established in the PRC operating electric power grid at county level
“Track Record Period”	comprises the three years ended 31 March 2017 and the five months ended 31 August 2017
“U.S.” or “United States” or “US”	the United States of America
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

DEFINITIONS

“Underwriters”	the Hong Kong Underwriter and the International Underwriter
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“Union Sino”	UNION SINO HOLDINGS LIMITED, a company incorporated in the BVI on 4 January 2016 with limited liability, which is wholly owned by Mr. Wu, a Substantial Shareholder and one of our Founding Shareholders
“US\$” or “US Dollar”	United States dollars, the lawful currency of the United States
“VAT”	Value-added tax
“ WHITE Application Form(s)”	the form(s) of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be issued in an applicant’s own name
“ YELLOW Application Form(s)”	the form(s) of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS

* For identification purpose only

Unless otherwise specified, for the purpose of this prospectus and for the purpose of illustration only, Hong Kong dollar amounts have been translated using the following rate:

RMB1.00: HK\$1.18

US\$1.00: HK\$7.75

No representation is made that any amounts in RMB or HK\$ were or could have been converted at the above rates or at any other rates at all.

The English names of the PRC nationals, entities, departments, facilities, certificates, titles and the like mentioned in this prospectus are translations from their Chinese names. If there is any inconsistency, the Chinese names shall prevail.

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

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations and definitions of certain terms used in this prospectus in connection with our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

“AC”	alternative current
“ARSP”	Along Research and Development Support Platform, being a platform developed by our Group, comprising different software components with different functions ranging from data collection and monitoring, customer services, billing and payment as well as administration in relation to electric power selling and management
“cloud computing”	a type of internet-based computing that provides shared computer processing resources and data to computers and other devices on demand
“DC”	direct current
“electric power exchange”	the trading of electricity among electric power generation companies, large-scale power users, electric power grid companies and electric power retailing companies
“electric power exchange platform”	a platform for trading of electricity among various market participants in the electric power industry, such as electric power generation companies, electric power grid companies, electric power retailing companies and electricity users
“electric power grid”	an interconnected network for delivering electricity from electric power suppliers to consumers through transmitting electric power generated by power plants through high-voltage transmission lines that carry power from distant sources to demand centres, and distribution lines that connect individual consumers
“electric power grid company”	company established in the PRC which invests to construct and operate electric power grid and engages in electric power transmission and distribution, including SGCC Group, CSG, IMPG Group and other local electric power grid companies
“electric power distribution company”	company established in the PRC which purchases electricity from electric power generation companies and other sources and re-sell to end users, including SGCC Group, CSG, IMPG Group, other local electric power grid companies and electric power retailing companies

GLOSSARY OF TECHNICAL TERMS

“electric power retailing company”	company established in the PRC which is permitted under the New Reform to purchase electricity from electric power generation companies and other sources and re-sell to end users
“electric power selling and management”	the sale and management process of electric power grid companies, including but not limited to, electricity measurement, fee charging, collection and analysis of data, etc.
“Energy Interconnection”	a connection which is designed to enhance integration of electric power generation and consumption by information technology and to accelerate industrial upgrading
“geographical information system”	a system designed to capture, store, manipulate, analyse, manage and present spatial or geographical data
“Huidianyun”	惠電雲, cloud-based services in relation to electric power selling and management developed by our Group specifically designed for small to medium size electric power retailing companies
“Internet of Things”	the inter-networking of physical devices, vehicles, buildings, and other items embedded with electronics, software, sensors, actuators, and network connectivity that enable these objects to collect and exchange data
“local electric power grid companies”	electric power grid companies announced by the National Energy Administration of the PRC from time to time, being 15 prefectural level and approximately 400 country level operators of electric power grid, and which include IMPG Group as at the Latest Practicable Date
“New Reform”	《關於進一步深化電力體制改革的若干意見》(Several Opinions on Further Deepening the Reform of the Electric Power System)*, a reform opinion promulgated by the State Council in March 2015 regarding, among other things, the acceleration of the construction of the electric power exchange platform and the permission of private electric power retailing companies to purchase electricity from electric power generation companies and re-sell to end users
“outsourcing services”	the provision of services by stationing technical staff to the customers’ site

GLOSSARY OF TECHNICAL TERMS

“Single Source Procurement”	a tendering process through which a company selects one of its potential suppliers which can fulfill a number of specific criteria and/or qualifications to make a bid which is open for opposition by other parties on a public tendering online platform and subject to final acceptance by such company
“SMS”	short message service, a text messaging component of telephone, internet and mobile phone systems
“Software Systems”	our software for electric power selling and management, including data collection and billing system, customer services system, unified payment system, selling and management control system
“SoTower”	a software developing platform developed by SGCC Group, which was mainly used by SGCC Group to support its SG186 project as part of SGCC Group’s information technology modernisation progress
“Technical Services”	our (i) outsourcing services by providing technical staff to the SGCC Group in relation to electric power exchange; or (ii) maintenance and upgrading services for software systems in relation to electric power selling and management to cater for the specific needs of our customers from time to time, the scope of which depends on demand of customers
“TWh”	terawatt hour, being a unit of energy
“WPLC”	a communication technology founded on Internet of Things which serves to connect various electronic devices and enables data transmission between electronic devices via existing power cables. It could be applied in various industries in the communication technology area (including but not limited to, the electric power industry to support systems such as remote meter reading, as well as other industries such as telecommunications industry)

* For identification purpose only

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that state our Group's intention, belief, expectation or prediction for the future that are, by their nature, subject to significant risks and uncertainties.

These forward-looking statements include, without limitation, statements relating to:

- the industry regulatory environment as well as the industry outlook in general;
- the amount and nature of, and potential for, future development of our Group's business;
- our Group's business objectives and strategies;
- our Group's capital expenditure plans;
- our Group's operations and business prospects; and
- our Group's future plans.

The words "believe", "intend", "anticipate", "estimate", "plan", "potential", "will", "would", "may", "should", "expect", "seek" and similar expressions, as they relate to our Group, are intended to identify a number of these forward-looking statements. All statements (other than statements of historical facts included in this prospectus), including statements regarding our Group's strategy, plans and objectives of management for future operations, are forward-looking statements. These forward-looking statements reflect our current view with respect to future events, but they are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risks factors as disclosed under the section headed "Risk factors" and elsewhere in this prospectus. One or more of these risks or uncertainties may materialise, or the underlying assumptions may prove to be incorrect. Although our Directors believe that our current views as reflected in those forward-looking statements based on currently available information are reasonable and that our Directors have exercised due care in expressing our views, including the forward-looking statements, in this prospectus, we can give no assurance that those views will prove to be correct, and the investors are cautioned not to place undue reliance on such statements.

Subject to the requirements of the Listing Rules or the applicable laws, we undertake no obligation to publicly update or revise any forward-looking statements contained in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks associated with an investment in our Company before making any investment decision regarding our Company. You should pay particular attention to the fact that our Company is incorporated in the Cayman Islands and our Group has operations conducted outside Hong Kong and is governed by a legal and regulatory environment which in some respects may differ from that in Hong Kong. The occurrence of any of the following risks may have a material adverse effect on the business, results of operation, financial condition and future prospects of our Group.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations, and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of our Shares could decline due to any of these risks and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We rely on a few customers and our financial performance depends on their performance and demand for our services

During the Track Record Period, there was a notable concentration in our customer base. Revenue attributable to our five largest customers represented approximately 98.63%, 98.89%, 97.23% and 98.35% of our total revenue for the three years ended 31 March 2017 and the five months ended 31 August 2017, respectively. Among these customers, our largest customer accounted for approximately 35.15%, 42.71%, 56.08% and 69.82% of our total revenue for each of the three years ended 31 March 2017 and the five months ended 31 August 2017, respectively. Our five largest customers include IMPG Group, SGCC Group, Tianjin TEDA and two electric power software systems solution providers. We expect that we would continue to rely on revenue derived from these customers in the PRC given the nature of the electric power transmission and distribution industry in the PRC, with the management and operation of nearly all of the electric power grids in the PRC being concentrated in three state-owned enterprises. Our results of operation thus depend on the technological requirement, business development plan and performance of such customers, which may be affected by factors including without limitation, the overall economic condition and government policies, and the trend in electric power selling and management system industry in the PRC. Any business downturn faced by such customers may in turn adversely affect our results of operation and profitability.

We do not have long-term contractual arrangements with our customers and any changes in the operation model of our customers may affect our business relationship with them going forward

During the Track Record Period, our five largest customers include IMPG Group, SGCC Group, Tianjin TEDA and two electric power software systems solution providers. We do not have long-term contractual arrangements with our customers, as our contracts for all of our Software Systems, Technical Services and sale of hardware are mostly obtained on project basis through tender process. As the market we engage in is subject to evolving industry standards and government policies, our customers may change their operation model from time to time. This may affect our business relationship and bargaining power with them going forward. For example, one of our major customers, i.e. SGCC Group, has

RISK FACTORS

switched to in house development of software regarding electric power selling and management since 2011. During the Track Record Period, we mainly provided Technical Services in relation to electric power exchange and sold hardware to SGCC Group.

There is no assurance that our major customers will continue their business dealings with us or income generated from dealings with them will increase or be maintained in the future. Any cessation of, or substantial reduction in the volume of business, or change in business cooperation model with any of our major customers could adversely affect the financial performance or profitability and our prospects.

We are subject to certain undertaking which may restrict our future business development

Pursuant to a sale and purchase agreement dated 27 December 2012 entered into between Along Grid and Chinasoft Beijing in relation to the Disposal Businesses, Along Grid had undertaken to Chinasoft Beijing that Along Grid and companies, enterprises, institutions, individuals or other entities which, whether directly or indirectly, obtain control of Along Grid should no longer carry out any business of the provision of Software Systems or Technical Services for, among others, the electric power selling and management for SGCC Group. Further details regarding such agreement and undertaking are set out in the sub-paragraph headed “(iii) The Disposal” under the paragraph headed “Business development of our Group” under the section headed “History and development and Reorganisation” in this prospectus. The Along Grid’s Undertaking is not subject to any timeframe and is expected to continue to bind Along Grid for an unlimited period of time. Since completion of the Disposal and up to the Latest Practicable Date, we had not carried out any business of the provision of Software Systems or Technical Services for, among others, the electric power selling and management for SGCC Group.

As the Along Grid’s Undertaking is expected to continue to bind Along Grid in the future, Along Grid would not be able to carry out any business of the provision of Software Systems or Technical Services for, among others, the electric power selling and management for SGCC Group. This restricts our Group’s future business development in relation to the business of the electric power selling and management for SGCC Group. If our Group engages in the business of the provision of Software Systems or Technical Services for, among others, the electric power selling and management for SGCC Group in the future, it will render Along Grid in breach of the Along Grid’s Undertaking and Chinasoft Beijing may take legal action against Along Grid for breach of the Along Grid’s Undertaking.

Our future performance and reputation are dependent on our core competence, our ARSP and our ability to continue to develop and provide respective new and improved Software Systems and Technical Services

Our future growth ability depends largely on our core competence, our ARSP, its adaptability to customers’ requirements and our ability to continue optimising and enhancing the functionalities of our ARSP. It also depends upon our ability to develop and provide new and improved Software Systems and Technical Services, whether utilising resources from our ARSP for the development of new and improved software systems or third party suppliers, in line with the technological advancement and meeting the evolving requirements of our customers, and our ability to bring them to market in a timely manner. The research and development of new and improved software or computer systems or sub-systems is a complex process requiring, among other factors, the accurate anticipation of the technical and market trends. New application, refinements and improvements of our ARSP, or any of the existing Software Systems and Technical Services may have technical failures, which cause delays in their introduction. There is no assurance that any research and development efforts undertaken or to be undertaken by us

RISK FACTORS

would result in successful development of any new or improved software or computer systems or sub-systems or that any of such new or improved software or computer systems or sub-systems will meet market requirements and achieve market acceptance. Any failure in our research and development efforts to materialise or to meet the technical and market trends could have an adverse impact on our business and prospects.

Our success depends on hiring and retaining qualified and experienced staff

Our future performance depends to a significant extent on the continuous service of our key management and technical staff. Biography of each member of our senior management team is set out in the section headed “Directors and senior management” in this prospectus. We do not maintain insurance for losses caused by business disruption due to the discontinuation of service of our key management and technical staff. If a significant number of members of our management team or technical staff were unable or unwilling to continue with their present positions, we might not be able to replace such experienced staff easily, or at all, and our financial condition and results of operation may be materially and adversely affected.

Our success also depends upon our ability to continue to attract, retain and motivate such qualified and experienced staff. We may have to offer increased salaries, incentive packages and training opportunities, which may increase our costs and reduce our profit margins, to attract and retain sufficient skilled staff to sustain our operations and our growth. We cannot assure that we will continue being able to attract and retain a sufficient number of skilled staff for our existing and planned business operations, or at all, if not, our business operations and financial performance may be materially and adversely affected.

We may be unable to adequately protect our proprietary technology and intellectual property rights

We value intellectual property rights and strive to protect our software and unregistered intellectual property rights, such as trade secrets, technologies, know-how, processes and other intellectual property rights developed by us. The success of our business depends on our ability to protect our know-how and our intellectual property portfolio. We cannot assure you that our efforts to protect our intellectual property rights are sufficient, and that our intellectual property rights will not be misappropriated or otherwise infringed by third parties in the future in the PRC. Any significant infringement of our confidential information and the proprietary technologies and processes used in our business could weaken our competitive position and have an adverse effect on our operations.

In addition, the intellectual property laws in the PRC, where our business is carried out, are still developing and may not protect intellectual property rights to the same extent as similar laws of other countries do. If we do not effectively protect our know-how and intellectual property, our business and operating results could be adversely affected.

We receive payments from our customers by instalments in general, and any delay in payments from our customers may affect our working capital and cash flow

The payment terms and schedules of a project are generally set out in the tender offers of our customers. The contract price for the project contract is generally due and payable by instalments at different stages with reference to various milestone dates in the course of the project. Further details are

RISK FACTORS

set out in sub-paragraph headed “Payment” under the paragraph headed “Sales and marketing” under the section headed “Business” in this prospectus. We are required to pre-pay certain costs and expenses relating to projects prior to receiving full payments from our customers to cover such costs and expenses. As at 31 March 2015, 2016 and 2017, and 31 August 2017, our Group had significant amount of long outstanding trade receivables. The trade and bill receivables (excluding the gross amount due from customers for contract work) that was due over one year or more as at 31 March 2015, 2016, 2017 and 31 August 2017 were approximately RMB24.4 million, RMB5.4 million, RMB8.1 million and RMB12.0 million, respectively. For further details, please refer to note 15(a) to the Accountants’ Report in Appendix I to this prospectus.

Delays in receiving payments from or non-payment by our customers when milestones are reached or upon completion may adversely affect our cash flow position and our ability to meet our working capital requirements. In addition, defaults in making payments to us on projects for which we have already incurred significant costs and expenditures can materially and adversely affect our results of operation and reduce our financial resources that would otherwise be available for other projects. We cannot assure that our customers will make payments in full to us on a timely basis or that we will be able to efficiently manage the level of debts arising from receipt of payments in stages.

We receive payments in a lump sum from some of our customers without specifying which particular contract it proposes to settle, and this may lead to, among others, the increase in the risk of bad debt

Our Directors are of the view that it is common in the PRC for a stated-owned customer who has more than one contract with its counterparty to settle its payment in a lump sum without specifying which particular contract it proposes to settle. In the case of our Group, a substantial portion of our customers, namely SGCC Group and IMPG Group, typically settle their payment with our Group in a lump sum without specifying which contracts they propose to settle. For example, where IMPG Group had both Software Systems contract and Technical Services contract with our Group, it might not specify whether it intends to settle its Software Systems contract or its Technical Services contract with our Group upon payment.

The above practice of our customers could affect our management of receivables. In particular, it could potentially lead to (i) mismatch of the receivables with the customers, resulting in being unable to record the relevant receivables in time; (ii) resulting in mistakes during our regular verification of accounts with our customers; and (iii) the increase in the chance of bad debt for our receivables.

Our cash flows may deteriorate due to the significant difference between our trade receivables turnover days and trade payables turnover days

We generally required our customers to make 90% payment upon sale of our Software Systems and 100% payment upon completion of rendering the provision of our Technical Services. In addition, we generally provide credit period of 10 to 80 days to those long standing customers. Our trade receivables turnover days for the three years ended 31 March 2017 and the five months ended 31 August 2017 were approximately 421.9 days, 313.8 days, 224.2 days and 362.0 days, respectively. On the other hand, we generally received credit terms of 5 days to 45 days from our suppliers. Our trade payables turnover days for the three years ended 31 March 2017 and the five months ended 31 August 2017 were approximately 39.9 days, 32.3 days, 20.5 days and 23.6 days, respectively.

RISK FACTORS

We rely on cash inflow from our customers to meet our payment obligations to our suppliers. As illustrated above, there is a significant difference between our trade receivables turnover days and trade payables turnover days during the Track Record Period. As a result, the time taken to receive payments from our customers is significantly longer than the time required to pay our suppliers. Therefore, our Group may suffer from a cash flow mismatch in our operation. If there is a significant and substantial cash flow mismatch, we may have to raise funds by resorting to internal resources and/or banking facilities in order to meet our payment obligations on time and in full, which may adversely affect our liquidity and financial condition.

We had negative cash flows from operating activities during the Track Record Period and may experience the same in the future

We had net cash used in operating activities of approximately RMB18.8 million for the year ended 31 March 2017. For reasons attributable to the foregoing, please refer to the sub-paragraph headed “Cash flows” in the paragraph headed “Liquidity and capital resources” in the section headed “Financial information” in this prospectus.

There can be no assurance that we will not record negative cash flows from operating activities in the future. Factors such as changes in our business operations or economic conditions could give rise to negative cash flows from operating activities, which may materially and adversely affect our liquidity and financial condition. There can be no assurance that we will have sufficient cash from other sources to fund our operations should the foregoing occur, and we may not be able to obtain the necessary funding in due course on commercially reasonable terms favourable to us, or at all.

The PRC taxation benefits enjoyed by our Group cannot be indefinitely sustained in the future

Our Group had received tax concessions of approximately RMB2.0 million, RMB3.2 million, RMB2.5 million and RMB0.8 million for the three years ended 31 March 2017 and the five months ended 31 August 2017, amounting to approximately 15.0%, 14.7%, 13.7% and 13.8% of the net profit of our Group for the three years ended 31 March 2017 and the five months ended 31 August 2017, respectively.

Our subsidiary, namely, Along Grid, was established in the PRC and has obtained the “Software and Integrate Circuit Enterprise” certificate issued by the local authorities and is entitled to a tax holiday of a 2-year full exemption followed by a 3-year 50% exemption commencing from the first profitable year in which profit before taxation is firstly derived. Therefore, Along Grid enjoyed a preferential PRC Corporate Income Tax rate of 12.5% for the calendar years of 2013, 2014 and 2015. Along Grid had obtained approvals from the tax bureau to be taxed as an enterprise with advanced and new technologies, and therefore enjoyed a preferential PRC Corporate Income Tax rate of 15% for the calendar years from 2016 to 2019.

Should the relevant PRC tax regulations and tax rates change in the future, our tax expenses, net profit and/or results of operation will be adversely affected. There is no assurance that we will continue to enjoy the tax incentives. Any removal, loss, suspension or reduction of the above tax benefits or tax relief will have an adverse impact on our Group’s profitability.

RISK FACTORS

The nature of our income is generally project based and derived from project agreements with fixed price, and we may not be awarded with project agreements in competitive tendering

During the Track Record Period, nearly all of our revenue was project based. There is no guarantee that our bids will be successful and lead to awards of project agreements to us. Consequently, there is no guarantee that we will be able to continue to secure new customers or that our customers will continue to engage us to provide Software Systems, Technical Services or sale of hardware to them in the future.

In particular for our provision of Technical Services, during the Track Record Period, we entered into maintenance agreements with our customers from time to time after completion of project. We do not maintain long-term agreement with our customers obliging them to engage us for the provision of maintenance services. If our customers decide not to engage us for the provision of maintenance services, our results of operation may be adversely affected.

We may be unable to estimate our project costs accurately, failure of which may adversely affect the pricing of our bids and hence our gross profit and results of operation

We need to estimate the project costs in order to determine the pricing of our bids. During the Track Record Period, nearly all of our Group's revenue was derived from project agreements with fixed prices. Under these agreements, we are expected to execute our projects or perform our services or supply products at fixed prices, and as a result, if there are changes of circumstances such as implementation of new laws or regulations regarding electric power industry in the PRC making it more costly or time consuming to provide the requisite services or products, we may be unable to recover any overrun costs without amending the relevant project agreements. We are generally unable to pass on any increase in costs to our customers if our Group experiences an unexpected increase in costs during the period from signing a project agreement to the payment of the contract sum by our customers. The actual costs may also differ from our estimates due to unanticipated technical problems which may require us to incur additional costs we cannot recoup, failure to properly estimate the repair or maintenance requirement of our customer and other unforeseeable reasons. If our cost estimates for an agreement fail to account for any unforeseen eventualities, our gross profit may be reduced and our results of operation would be adversely affected.

Moreover, any failure on our part to accurately project the time and labour required for a project or to complete an agreement within the specified budget or time may result in overrun costs of such project, and thereby our profitability may be adversely affected.

Our gross profit margin and growth in profit may not be sustainable in the future

For each of the three years ended 31 March 2017 and the five months ended 31 August 2017, our gross profit margin was approximately 48.2%, 51.6%, 45.2% and 46.7%, respectively, while our profit amounted to approximately RMB13.4 million, RMB22.2 million, RMB18.0 million and RMB6.1 million, respectively.

As our profitability is dependent upon, among other factors, market competition, economic conditions of the PRC, market demands for our Software Systems, Technical Services and hardware, our ability to obtain orders and terms thereof, there is no guarantee that we can maintain the gross profit margin as achieved during the Track Record Period in the future. As such, our operation results and financial conditions may be adversely affected if we are unable to sustain such gross profit margin level.

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We measure and recognise our revenues by the percentage-of-completion method for our projects in progress, which are subject to inherent uncertainties and subsequent adjustments

In respect of our major projects in our sale of Software Systems and our provision of Technical Services that were in progress at the Latest Practicable Date, we measure and recognise our revenue attributable to such services by using the percentage-of-completion method, pursuant to which revenues are recognised rateably over the life of a contract, based generally on the progress at the proportion of costs incurred to date to the estimated total costs expected to be incurred for the entire project. Further details are set out in the sub-paragraph headed “Revenue recognition” under the paragraph headed “Significant accounting policies and estimates” under the section headed “Financial information” in this prospectus. Revisions to estimated total costs are made when the relevant amounts can be reasonably estimated. Although we use our best efforts to estimate the progress towards completion of our projects, the inherent uncertainties in estimating progress mean that actual costs may vary from estimates, which could result in adjustments to our revenues or profits in subsequent fiscal periods.

Our Software Systems and our Technical Services may contain undetected flaws or defects

Our Software Systems and our Technical Services may contain latent defects or flaws. Any flaws or defects discovered in our Software Systems and our Technical Services could result in loss of revenue or delay in revenue recognition, damage to our reputation and our relationship with our customers, and increased service and warranty cost, any of which may adversely affect our business, operating results and financial condition. As we do not have liability, disruption or litigation insurance coverage for our operations, and we also have not taken out product liability or business liability insurance for our Software Systems and our Technical Services. In the event our Software Systems and our Technical Services fail to perform as expected, or prove to be defective or cause interruption to our customers’ operations, and our customers suffer loss as a result thereof, we may be subject to claims for compensation to our customers which would not be covered by any insurance.

There is no assurance that we will be able to successfully implement our business plans

Details of our business plans are set out in the paragraph headed “Our strategies” under the section headed “Business” in this prospectus. The successful implementation of our business plans depends on a number of factors which may or may not be within our control, including but not limited to, the growth and development of the electric power selling and management system industry in the PRC, the implementation of the New Reform, our ability to timely and effectively capture the opportunities associated with such growth, the effectiveness of our marketing efforts, availability of funds to finance our strategic plan, market condition, our ability to manage our business growth strategically and cost effectively, our ability to enhance our research and development capabilities, competition and other government policy. There is no assurance that our business plans will be successfully implemented as scheduled or at all. Any failure or delay in the implementation of our business plans may have a material and adverse effect on our profitability and prospects.

Our expansion of product/service offerings may be less successful than those regarding our Software Systems, Technical Services or sale of hardware, or even not successful

We intend to expand our product/service offerings, such as electric cars charging management related software and services which is in line with the rapid development in the electric power industry, but which we have little prior operating experience. The competitive conditions and customer preferences

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of the markets of new product/service offerings may be different from those of our existing markets. As a result, our future operation in these markets may be less successful than those regarding our Software Systems, Technical Services or sale of hardware, or even not successful. Customers of such new product/service offerings might not be familiar with our brands and we may need to build up brand awareness with greater effort than we originally planned. We may also find it more difficult to hire, train or retain qualified employees for developing these new product/service offerings.

We may not be able to efficiently manage our inventory risks

Our inventory mainly consists of Software Systems under development including technical know-how and research and development, software, equipment, components and spare parts for our Software Systems. As our contracts with our customers are generally on project basis, we generally procure components and equipment required for our customers on a project-by-project basis. Under our inventory control policy, we minimise our inventory level by arranging delivery of components and equipment to our customers directly when installation of our software therein is not required. Our inventory turnover days increased from approximately 19.0 days for the year ended 31 March 2015 to approximately 33.8 days for the year ended 31 March 2016, to approximately 38.2 days for the year ended 31 March 2017, and further to approximately 63.8 days for the five months ended 31 August 2017 as a result of the continuous expansion of our Software Systems business.

As the nature of our business does not require us to keep a large inventory, if we fail to manage our inventory effectively, we may be subject to a risk of inventory obsolescence, a decline in inventory value, and significant inventory write-down. When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. The reduction in the carrying value of our inventories which were subsequently sold may lead to larger amount of expenses, hence lower gross margins. High inventory levels may also require us to commit substantial capital resources from preventing us from using that capital for other important purposes. Any of the above may materially and adversely affect our results of operation and financial condition.

Our provision of cloud-based services through Huidianyun and our reliance on big data to be collected through our provision of cloud-based services to enhance our business performance and results may not be successful

We have been enhancing and expanding product/service offerings, in particular regarding those related to cloud computing. We have developed a cloud-based electric power and selling management software system specifically for small to medium size electric power retailing companies called Huidianyun and such service was officially launched in November 2017. For further details regarding Huidianyun, please refer to the sub-paragraph headed “Other — Huidianyun” under the paragraph headed “Our products and services” under the section headed “Business” in this prospectus. We may face the following challenges in pursuing our cloud computing development strategy:

- to maintain our growth effectively, we will need to devise and effectively implement business plans, train and manage our workforce, manage our costs and implement adequate control and reporting systems in a timely manner. We cannot assure you that we will be successful in maintaining our growth;

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- the cloud computing industry is rapidly evolving and in an early stages of development in China. We must capitalise on existing and emerging technologies to continue developing new software systems to meet the changing needs of electric power grid companies and electric power retailing companies in respect of cloud computing. If we misjudge the future needs of electric power grid companies and electric power retailing companies in respect of cloud computing or the commercial viability of a proposal, our new services may not be successful;
- if we fail to accurately budget the cost of a development project or encounter any unforeseen increase in costs of labour and equipment which may lead to cost overruns, we may be required to perform additional work beyond the scope of our original project proposal, and we may be unable to meet project deadlines. Such cost overruns may also adversely affect our operating cashflow and disrupt our operations; and
- to diversify our product/service offerings with cloud features, we must continuously introduce new cloud-based services that are attractive to users on our Huidianyun to deploy their applications through Huidianyun. Negotiations with our customers to introduce cloud-based services may be lengthy and may not lead to any agreement being reached. There is no assurance that our cloud-based services on Huidianyun will be attractive to users, or will be able to compete with other cloud platforms operated by competitors.

In addition, we intend to extend our research and development to big data development in which we may automate and streamline the various processes in our operations, support our day-to-day business analytics and provide periodic or real-time applications in supporting our projects and executing our strategies. We are still in the process of conducting research and development on big data and we cannot assure that we will be able to collect and retain sufficient data effectively, or improve our data technologies to satisfy our operating needs. Failure to do so will materially and adversely affect our business and results of operation.

Changes in accounting standards or policies may materially affect our results of operation and financial condition

From time to time, accounting standards setter changes in the financial accounting and reporting standards that govern the form and content of financial statements. In addition, those bodies that establish and interpret the accounting standards may change or even reverse their previous interpretations or positions on how these standards should be applied. Changes in financial accounting and reporting standards and changes in current interpretations may be beyond our control, can be difficult to predict and could materially impact how we record and report our results of operation and financial condition. In some cases, we could be required to apply a new or revised standard retroactively, resulting in material changes to previously reported financial results, or a material cumulative charge to retained earnings.

Any future changes in our accounting policies may also have a significant impact on our results of operation and financial condition. New accounting policies that may have a significant impact on our reported results of operation and financial condition include policies we will adopt to comply with IFRS 15. Our adoption of IFRS 15 will become effective from the financial periods beginning on or after 1 April 2018. Our Group plans to elect to use the cumulative effect transition method for the adoption of IFRS 15 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2018. As allowed by IFRS 15, our Group plans to apply the new requirements

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only to contracts that are not completed before 1 April 2018. Since the number of “open” contracts for sales of software systems and the provision of technical services at 31 August 2017 is limited, our Group expects that the transition adjustment to be made upon the initial adoption of IFRS 15 will not be material. However, as the effect on our Group’s financial results with adoption of IFRS 15 going forward depends on the judgement of our Group’s management and the execution of each project agreement, should there be any further changes in these areas, our financial condition and results of operation in the future periods may be materially and adversely affected. For further details regarding new accounting policies, please refer to note 26 to the Accountants’ Report in Appendix I to this prospectus.

RISKS RELATING TO OUR INDUSTRY

The electric power selling and management system industry is subject to rapid changes in technology

The electric power selling and management system industry in the PRC is characterised by rapidly changing technologies, evolving industry standards and continuing improvements. Accordingly, our future success will largely depend on our ability to adapt to customers’ needs and technological developments in a timely manner. In the event that other technologies are adopted to the electric power selling and management system industry, and if we are unable to develop and introduce new Software Systems, Technical Services or hardware in a timely manner in anticipation of or in response to changing technologies, market conditions and/or customers’ requirements, or if our new Software System, Technical Services or hardware do not achieve market acceptance, our business, financial performance and prospects may be materially and adversely affected. In addition, as we are currently at the initial stage of conducting research in the potential market of the electric cars charging management related software and services in the PRC in the future, our development of intelligent technology required for smart charging stations and piles may also not be successful.

We are exposed to evolving industry standards and government policy

The market in which we operate is characterised by evolving industry standards and government policies, frequent development and enhancement of products and services and changing market demands. With the promulgation of the New Reform, private capital has been encouraged to enter China’s electric power transmission and distribution industry. According to the New Reform, electric power retailing companies are permitted to be established since 2015 to purchase and re-sell electricity. According to the CIC Report, the total number of registered electric power retailing companies increased dramatically from approximately 270 in February 2016 to approximately 3,512 in December 2016. According to the CIC Report, as electric power selling and management system can be regarded as a necessity for the operation of electric power retailing service, the penetration rate of electric power selling and management system among the electric power retailing companies is expected to continue to grow between 2017 and 2021. The New Reform is implemented gradually with different stages as designated by the PRC government. Since the introduction of the New Reform in March 2015, out of more than 3,000 established electric power retailing companies in December 2016, approximately 100 of which have commenced commercial operation, and approximately 20 of which have demanded for software systems in relation to electric power selling and management. Therefore, it is expected that the potential new business opportunities that are expected to be generated by the New Reform may not be immediate but should gradually be realised with the increasing number of electric power retailing companies being established and commencing commercial operation.

In addition, the Energy Interconnection is designed to enhance integration of power generation and consumption by information technology and accelerate industrial upgrading.

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According to the NDRC, the short term goal of the Energy Interconnection is to establish a preliminary system and mechanism for energy internet market by 2018, while the long term goal is to establish a basic industry framework and form a relatively complete standard by 2025. According to the CIC Report, information and software companies will play an important role in energy system in the future as information technologies are the basis to achieve interconnection and intercommunication of all systems and equipment within the energy system in the PRC. Accordingly, our continuous success will depend on our ability to adapt rapidly to evolving industry standards and government policies and to continually improve the performance, features and reliability of our products and services in response to competitive offerings and evolving market demands.

If we fail to keep up with the latest industry developments and policy changes, our services or products may become obsolete and we may not be able to meet our customers' demands, which may in turn result in a decline in our market competitiveness. Our results of operation may thereby be adversely affected.

The electric power selling and management system industry is subject to economic and market conditions

Our business depends on the global economic and market conditions, in particular those in the PRC. Slowing down of economic growth or a recession could slow down the demand from electric power grid companies and electric power distribution companies for services and/or products from electric power selling and management services providers, which in turn will slow down the growth or expansion of the electric power selling and management system industry which, in turn, will have a material adverse effect on our business, financial performance and results of operation as well as affecting our expansion strategies.

We operate in a competitive industry

According to the CIC Report, in 2016, there are approximately 30 electric power selling and management system providers in the PRC, and the electric power selling and management system industry in the PRC was highly concentrated with the top seven companies accounting for approximately 95.0% in aggregate in terms of revenue. During the Track Record Period, we competed with our competitors, but we may also face competition in the future from new entrants to the market. Some of our competitors may have greater financial and other resources as well as stronger software development skills than we do; and some may have longer business track record as well as much in-depth understanding of and more extensive experience in electric power selling and management system industry than us. We cannot assure that we will be able to compete successfully against our competitors, both existing industry players and new entrants. Any increase in competition may adversely affect our business, financial condition and results of operation.

In addition, we compete against our existing competitors in terms of pricing and quality of the services and/or products we provide, and the ability to recruit qualified and experienced staff. If we are unable to maintain our competitiveness in respect of the foregoing, our business operations, market share and financial condition may be adversely affected.

We cannot assure that we will be successful in expanding our market share against our competitors. Our competitors may be able to respond more quickly to new or emerging technologies and changes in requirements and/or demands of electric power grid companies and power distribution companies.

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Existing and/or increased competition could adversely affect our market share and materially affect our business, financial condition and operating results. If competitive pressure should intensify, it may force us to reduce the price of our Software Systems and our Technical Services or products we provide, which may adversely affect our profitability.

RISKS RELATING TO CONDUCTING OUR OPERATIONS IN THE PRC

Our Group's business activities are located in the PRC. Accordingly, our business, results of operation, financial position and prospects are subject, to a significant degree, to the economic, political and legal developments of the PRC.

Any changes in the political, social and economic conditions in the PRC may adversely affect our business

Our financial condition and prospects are to a significant degree subject to the political, social and economic conditions of the PRC, as our assets are primarily located in the PRC and our revenue is derived from operations that take place in the PRC. Any changes in the political, social and economic conditions of the PRC may adversely affect our business viability. The PRC government has undergone various reforms of its economic systems which have resulted in economic growth for the PRC over the past few decades. However, many of the reforms are unprecedented or experimental, and are expected to be refined and modified from time to time. In addition, the scope, application and interpretation of laws relating to such reform may be uncertain. Political, economic and social factors may lead to further refinement or adjustment of the reform measures. Therefore, we cannot predict whether changes in the economic, political and social conditions in the PRC will lead to continued growth or whether any such growth will be in a geographic region or economic sector beneficial to us. Moreover, even if new policies may benefit our industry in the long term, we cannot assure that we will be able to successfully adjust to such policies. As our operations and assets are located in the PRC, and our revenue is derived from the PRC during the Track Record Period, we depend heavily on general economic conditions in the PRC for our continued growth. Therefore, if the PRC's economic growth slows down or if the PRC economy experiences a recession as a result of any changes in the PRC's political, economic and social conditions, the growth in demand for our services and/or products may be reduced or become minimal, and thus may have a material and adverse effect on our future growth and results of operation.

There are uncertainties associated with the implementation, interpretation and enforcement of the PRC legal system

Our business and operations in the PRC are governed by PRC law. The PRC is a civil law jurisdiction based on written codes and statutes. Unlike common law jurisdictions, in the PRC, prior court decisions may be cited as persuasive authority but do not have binding legal force. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters in general such as foreign investment, corporate organisation and governance, commerce, taxation and trade in order to establish a comprehensive legal system conducive to investment. However, the implementation, interpretation and enforcement of these statutes may involve greater uncertainty compared to those in the common law jurisdictions due to a relatively short legislative history and the limited number and non-binding nature of court cases. Depending on the government agency and court or how an application or a case is presented to such agency or court, we may be subject to less favourable interpretations of the law than those imposed on our competitors. In addition, litigation in the PRC may be protracted and result in substantial legal costs and the diversion of our resources and the attention of our management.

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Similarly, legal uncertainty in the PRC may limit the legal protections available to potential investors. We cannot predict the effects of future legal developments in the PRC, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national law. As a result, there is substantial uncertainty as to the legal protection available to potential investors.

Our revenue is denominated in RMB, which is not freely convertible for capital account transactions and may be subject to exchange rate volatility

We may require access to foreign currency to pay dividends to our Shareholders in future. However, our revenue is denominated in RMB, which currently is not a freely convertible currency. Under the PRC foreign exchange rules and regulations, payments of current account items, including profit distributions, interest payments and expenditures related to business operations, are permitted to be made in foreign currencies without prior government approval but are subject to certain procedural requirements. Strict foreign exchange controls continue to apply to capital account transactions. Capital account transactions must be approved by or registered with SAFE. Repayments of loan principal, direct capital investment and investments in negotiable instruments are also subject to restrictions. As a result of these controls, we cannot assure you that we will be able to meet all of our foreign currency obligations or to remit profits to our Shareholders in the form of dividends.

The value of RMB against other foreign currencies is subject to amendment by the PRC government. From 1997 to 20 July 2005, the medium rate at which the RMB was convertible into US Dollars was fixed by the PBOC at a stable rate of approximately RMB8.277 per US Dollar. On 21 July 2005, the PBOC announced that the exchange rate of US Dollar to RMB would be adjusted to US\$1.00 to RMB8.11 and it ceased to peg RMB solely to the US Dollar. Instead, the Renminbi is now pegged to a basket of currencies as determined by the PBOC, the components of which are adjusted based on market changes and according to a set of systematic principles. This change in policy has resulted in a significant appreciation of RMB against the US Dollar. On 11 August 2015, the PBOC announced that it would request market-makers in the foreign exchange market to provide proposed quotes of the midpoint rates of the daily trading band of RMB against US Dollar based on supply and demand analysis and market conditions of the exchange rates of other currencies. The PBOC has also introduced a series of measures to facilitate the reform of RMB exchange rate regime, including the introduction of financial derivative products such as currency swaps, the relaxation of RMB trading by non-financial institutions and the introduction of market makers, comprising both domestic and foreign banks, for the trading of RMB.

In the future, RMB may be revalued further against the US Dollar or other currencies or may be permitted to enter into a full or limited free float, any of which may result in the appreciation or depreciation of RMB against the US Dollar or other currencies. Any change in PRC foreign exchange policies may give rise to uncertainties in our financial condition and results of operation. We currently do not, nor do we intend to, hedge our exposure to the US Dollar or other currencies.

A change in our tax treatment could reduce our profitability

Pursuant to the tax rules and regulations in the PRC, entities engage in the sale of self-developed software in the PRC and pay VAT at a rate of 17% are entitled to a VAT refund to the extent of the VAT payable in excess of 3% of the self-developed software sold. During the Track Record Period, our refunds of VAT amounted to approximately RMB0.8 million, RMB2.2 million, RMB4.7 million and RMB4.2 million, respectively, representing approximately 97.0%, 67.2%, 98.3% and 95.7% of our other income,

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respectively. Refunds of VAT are of a recurring nature as such refunds are income generating from our sale of Software Systems in our ordinary and usual course of business. Further, such refunds are not arbitrary but are stipulated in relevant tax rules and regulations in the PRC and fixed to the extent of the VAT payable in excess of 3% of the self-developed software sold. However, should there be any changes in the relevant tax rules and regulations in the PRC, in particular those regarding software industry, we may no longer be entitled to VAT refund, which could have a material effect on our results of operation.

There may be difficulties in effecting service of process upon us or our management who reside in the PRC and in seeking recognition and enforcement of foreign judgments or arbitral awards in the PRC

Our operations and assets are primarily located in the PRC and most of our senior management and Directors reside in the PRC. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “**Arrangement**”), pursuant to which a party with an enforceable final court judgment rendered by a Hong Kong court requiring payment of money in a civil commercial case according to a written choice of court agreement may apply for the recognition and enforcement of such judgment in the PRC. Similarly, a party with an enforceable final judgment rendered by a PRC court requiring the payment of money in a civil commercial case pursuant to a written choice of court agreement may apply for the recognition and enforcement of such judgment in Hong Kong. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong or PRC court is expressly designated as the court having sole jurisdiction for the dispute. It may be difficult or impossible for investors to effect service of process against us, senior management or Directors in the PRC in order to seek the recognition and enforcement of foreign judgments in the PRC, if the parties in dispute do not agree to such a choice of court agreement in accordance with the requirements set forth in the Arrangement.

The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of the United States, the United Kingdom, or most other western countries or Japan. Therefore, it may not be possible for investors to effect service of process on us in the PRC or to enforce any judgment awarded by non-PRC courts in the PRC.

The PRC is one of the signatories to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “**New York Convention**”), which allows for the enforcement of arbitral awards given by the arbitration bodies of other New York Convention signatories. Following the resumption of sovereignty over Hong Kong by the PRC on 1 July 1997, the New York Convention is no longer applicable for the enforcement of arbitral awards of Hong Kong in other parts of the PRC. As a result, a memorandum of understanding was signed on 21 June 1999 to permit the reciprocal enforcement of arbitral awards between Hong Kong and the PRC (the “**Memorandum of Understanding**”). This Memorandum of Understanding was approved by the Supreme People’s Court of the PRC and the Hong Kong Legislative Council and became effective on 1 February 2000. It may be difficult to seek recognition and enforcement of arbitral awards in the PRC if the arbitral awards were given by arbitration bodies that are not signatories to the New York Convention or do not have similar arrangements to the Memorandum of Understanding between Hong Kong and the PRC.

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Dividends from our PRC subsidiary paid to our Hong Kong subsidiary might not qualify for the reduced PRC withholding tax rate under the special arrangement between Hong Kong and the PRC

Under the PRC Enterprise Income Tax Law (“EIT Law”) and its implementing rules, if the foreign shareholder is not deemed a PRC tax resident enterprise under the EIT Law, dividend payments from PRC subsidiary to their foreign shareholders are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with the PRC and the foreign shareholder obtains approval from competent local tax authorities for application of such tax treaty or similar arrangement. Pursuant to a special arrangement between Hong Kong and the PRC, the withholding tax rate is lowered to 5% if a Hong Kong resident enterprise is the beneficial owner of more than 25% of the shares of a PRC company distributing the dividends. According to the Announcement on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (關於發佈《非居民納稅人享受稅收協定待遇管理辦法》的公告) (“2015 Administration Measures”), which was promulgated by the SAT on 27 August 2015 and became effective on 1 November 2015, prior approval from or filings with the SAT is no longer required before a non-resident taxpayer can enjoy the tax preferential treatment under the relevant treaties. A non-resident taxpayer may enjoy the tax preferential treatment at the time of return filings or withholding and declaration through a withholding agent if it is eligible for the tax preferential treatment under the relevant provisions of a tax treaty, subject to the follow-up administration by the relevant tax authority. In order to enjoy the tax preferential treatment, the non-tax resident shall file documents as required by the 2015 Administration Measures with tax authority when filing tax returns or withholding and declaration through a withholding agent, among which is the tax resident identity issued by the tax authority of the counter party to the treaty. During the follow-up administration, the PRC tax authorities shall verify if the non-resident taxpayer is eligible for the tax preferential treatment, ask for supplemental documents from the non-tax resident or, if the non-resident taxpayer is deemed not eligible for the tax preferential treatment, require the non-resident taxpayer to pay up the non-payment or underpayment of the tax within specified timeframe. Moreover, according to the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of 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) issued by the SAT on 20 February 2009, if the main purpose of an offshore arrangement is to obtain preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. There is no assurance that the PRC tax authorities will recognise and accept the 5% withholding tax rate on dividends paid by our PRC subsidiary and received by our Hong Kong subsidiary.

Our global income (if any) and the dividends we may receive from our PRC subsidiary may be subject to PRC tax under the EIT Law, which may have a material adverse effect on our results of operation

Under the EIT Law and its implementing rules, both of which became effective from 1 January 2008, an enterprise established outside of the PRC with “de facto management bodies” situated within the PRC could be considered a resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its global income with any relevant foreign tax paid available to be claimed as a foreign tax credit. The implementing rules of the EIT Law define the term “de facto management bodies” as “establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise.” The SAT issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (“Guo Shui Fa [2009] No. 82”, or “Circular 82”) (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知,

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國稅發[2009]82號), on 22 April 2009. Circular 82 provides certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore-incorporated enterprise is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises, not those controlled by PRC individuals or foreigners, like our Company, the determining criteria set forth in Circular 82 may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals. If the PRC authorities were to subsequently determine that we should be so treated and if we derive any global income in future, a 25% enterprise income tax on our global income could significantly increase our tax burden and materially and adversely affect our cash flow and profitability. Further, if we are regarded as a PRC resident enterprise, dividends that we receive from the subsidiaries which are considered as PRC resident enterprises would be exempted from EIT and no withholding tax would be applied either. However, as there is still uncertainty as to how the EIT Law and its implementation rules will be interpreted and implemented, we cannot assure you that our global income (if any) may not be subject to the EIT Law and that we are eligible for such PRC enterprise income tax exemptions or reductions.

In addition, because there remains uncertainty regarding the interpretation and implementation of the EIT Law and its implementing rules, it is uncertain whether, if we are regarded as a PRC resident enterprise, dividends we pay with respect to our ordinary shares, or the gain you may realise from the transfer of our ordinary shares, would be treated as income derived from sources within the PRC and be subject to a 10% withholding income tax, unless any such foreign corporate shareholder is qualified for a preferential withholding rate under a tax treaty. For example, under the Agreement between the Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》) effective on 8 December 2006, for a Hong Kong corporate shareholder owning at least 25% of the shares of a PRC company, a 5% withholding tax would apply. If we are required under the EIT Law to withhold PRC income tax on our dividends payable to our non-PRC corporate shareholders, or if you are required to pay PRC income tax on the transfer of our ordinary shares, your investment in our Shares may be materially and adversely affected.

PRC regulations on loans and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiary

As an offshore holding company of our PRC subsidiary, we may make loans to our PRC subsidiary, or we may make additional capital contributions to our PRC subsidiary. Any loans to our PRC subsidiary are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our PRC subsidiary to finance its activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart. We may finance our PRC subsidiary by means of capital contributions. Such capital contributions must be approved by or filed with the MOFCOM or its local counterpart. We cannot assure you that we can obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to finance our PRC subsidiary. If we fail to receive relevant registrations or approvals, our ability to use the proceeds of this offering and to capitalise our PRC operations would be negatively affected which would adversely and materially affect our liquidity and our ability to expand our business.

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We face uncertainty with respect to PRC tax obligations in connection with indirect transfer of equity interests in our PRC resident enterprise through their non-PRC holding companies

Pursuant to the Notice of the SAT on Strengthening Administration of Enterprise Income Tax on Gain Derived from Equity Transfer Made by Non-Resident Enterprises* (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (the “**Circular No. 698**”), issued by the SAT on 10 December 2009 with retroactive effect from 1 January 2008, where a foreign investor transfers its indirect equity interest in a PRC resident enterprise by disposing of its equity interests in an overseas holding company, or an “indirect transfer”, and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5%; or (ii) does not tax foreign income of its residents, the foreign investor shall report to the competent tax authority of the PRC resident enterprise of this indirect transfer. The PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of avoiding PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC withholding tax at a rate of up to 10%. Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

On 3 February 2015, the SAT issued a new circular on the PRC tax treatment of an indirect transfer of assets by a non-resident enterprise 《國家稅務總局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》 (the “**Circular No. 7**”), which abolishes certain provisions and provide more guidance on a number of issues in relation to Circular No. 698, including extending the coverage of Circular No. 698 to indirect transfer of assets such as immovable property in the PRC, changing the reporting requirement of indirect transfer of assets from mandatory to voluntary and allowing either party to an indirect transfer transaction to report to the PRC tax authority.

Circular No. 698 was repealed on 1 December 2017 by the Announcement on Issues concerning the Withholding of Enterprise Income Tax at Source on Non-Resident Enterprises (國家稅務總局公告2017年第37號—關於非居民企業所得稅源泉扣繳有關問題的公告), which was promulgated by the SAT on 17 October 2017.

By promulgating and implementing these circulars, the PRC tax authorities have strengthened their scrutiny over the direct or indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise. Circular No. 7 stipulates that if a non-resident enterprise indirectly transfer its equity interest in the PRC resident enterprises and other properties by implementing arrangements such as transfer of shares in an overseas enterprise, without reasonable commercial purposes but to evade the enterprise income tax, the nature of this indirect transfer shall be re-defined and recognised as a direct transfer of equity interest in a PRC resident enterprise and other properties.

Circular No. 7 specifies a number of factors and conditions that shall be considered in determining whether an indirect transfer of the (i) properties of an establishment or place in the PRC, (ii) real estate in the PRC or (iii) equity investment in a PRC resident enterprise and other properties directly held by such non-resident enterprise and for which the proceeds from the transfer of such properties shall be subject to EIT as specified by the PRC tax laws (collectively the “**PRC Taxable Properties**”) has a reasonable commercial purpose. It also specifies circumstances under which an indirect transfer shall be directly deemed as having no reasonable commercial purpose (“**Deemed Negative Determination**”). The determination shall be made on a case-by-case basis based on specific circumstances.

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Provisions of Circular No. 7 imposing PRC tax liabilities and reporting obligations do not apply to “non-resident enterprise acquiring and disposing of the equity interests of the same offshore listed company in a public market” (“**Public Market Safe Harbour**”).

Since Circular No. 7 only became effective since 3 February 2015 and no implementing rules have been released yet, it is not clear that how the relevant taxation authorities would interpret and define each factor and then determine whether the transfer of our Shares by Shareholders may have a reasonable commercial purpose or not. In addition, Circular No. 7 does not address detailed follow-up procedures if the indirect transfer of the PRC Taxable Properties is determined as not having any reasonable commercial purpose. As stated in the section headed “Information about this prospectus and the Global Offering” in this prospectus, potential investors are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and dealing in the Offer Shares.

If any future transfer of our Shares constitute an indirect transfer of the PRC Taxable Properties and is subject to the EIT obligation under Circular No. 7, the amount of the EIT shall be calculated based on the “income from the transfer” and applicable tax rate. According to the Announcement on Issues concerning the Withholding of Enterprise Income Tax at Source on Non-Resident Enterprises, income from equity transfer means the consideration collected by the equity transferor from the transfer of equities, including all kinds of monetary and non-monetary income. In respect of tax rate, a withholding tax rate of 10% shall be applicable, unless otherwise provided in the relevant tax treaty.

PRC regulations relating to acquisitions of PRC companies by foreign entities may limit our ability to acquire PRC companies and adversely affect the implementation of our strategy as well as our business and prospects

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) (“**M&A Rules**”), which were promulgated in August 2006, became effective from 8 September 2006 and were amended on 22 June 2009, have provided the rules with which foreign investors must comply if they are seeking to acquire shares in a non-foreign funded enterprise, whether through a purchase agreement with existing shareholders or through a direct subscription from a company, that would result in that company becoming a foreign-funded enterprise. The M&A Rules further require that the business scope of the resultant foreign-funded enterprise conform to the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄). The M&A Rules also have provided the takeover procedures for the acquisition of equity interests in domestic enterprises.

There are uncertainties as to how the M&A Rules will be interpreted or implemented. If we decide to acquire a PRC company in the future, there is no assurance that we or the owners of such PRC company can successfully complete all necessary approval requirements under the M&A Rules. This may restrict our ability to implement our expansion and acquisition strategy and could materially and adversely affect our future growth.

Inflation in the PRC could materially and adversely affect our profitability and growth

While the PRC economy as a whole has experienced rapid growth, such growth has become uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth may lead to growth in the money supply and accordingly inflation. If the amounts we charge our customers go up at a rate that is insufficient to compensate for the rise in our costs, our business may be

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materially and adversely affected. In order to put the inflation rate under manageable levels, the PRC Government has in the past imposed controls on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such an austere policy may lead to a slowdown in economic growth.

RISKS RELATING TO THE GLOBAL OFFERING

As there has been no prior public market for our Shares, their market price may be volatile and an active trading market in our Shares may not develop

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range of our Shares is negotiated among the Sole Global Coordinator, for itself and on behalf of the Underwriters, and us. The Offer Price may differ significantly from the market price of our Shares following the Global Offering. We have applied for listing and permission to trade our Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, that it will be sustainable following the Global Offering or that the market price of our Shares will not decline after the Global Offering. Furthermore, the price and trading volume of our Shares may be volatile.

The following factors, among others, may cause the market price of our Shares after the Global Offering to vary significantly from the Offer Price:

- variations in our revenue, earnings and cash flow;
- unexpected business interruptions resulting from natural disasters or power shortages;
- major changes in our key personnel or senior management;
- our inability to obtain or maintain regulatory approval for our operations;
- our inability to implement our business strategies or further develop our business;
- our inability to compete effectively in the market;
- political, economic, financial and social developments in the PRC and in the global economy;
- changes in laws or regulations or government policies effecting the electric power selling and management system industry;
- fluctuations in stock market prices and volume;
- changes in analysts' estimates of our financial performance; and
- involvement in material litigation.

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We cannot assure that we will declare dividends in the future

Our Group declared dividends of approximately RMB65.5 million, RMB12.5 million, nil and nil to our then equity holders for the three years ended 31 March 2017 and the five months ended 31 August 2017, respectively. Other than the declaration of such dividends, we did not declare or pay any dividends during the Track Record Period. We do not have a fixed dividend policy and we cannot assure you that future dividends will be declared or paid in an amount equivalent to or exceeding historical dividends. Therefore, investors are cautioned not to use historical dividends as an indication of the amount of future dividends. Declaration of dividends after Listing will be the discretion of our Board and will depend on our results of operation, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividend by us, future prospects and other factors that our Directors may consider relevant.

There may be difficulties in protecting your interests under the laws of the Cayman Islands

Our corporate affairs are governed by, among other things, our Memorandum of Association, Articles of Association, the Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions. Such differences may mean that the remedies available to the minority shareholders may be different from those they would have under the laws of other jurisdictions.

Investors for our Shares may experience dilution if we issue additional Shares in the future

If we issue additional Shares in the future, investors of our Shares in the Global Offering may experience further dilution in their ownership percentage. We may need to raise additional funds in the future to finance expansion of or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a non-pro-rata basis to the existing Shareholders, the percentage ownership 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 our Offer Shares.

Future sales by our existing Shareholders of a substantial number of our Shares in the public market or future offerings could materially and adversely affect the prevailing market price of our Shares

We cannot assure that our existing Shareholders or our Founding Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after completion of the Global Offering. Future offerings or sales of our Shares by us or our Substantial Shareholders, or other Shareholders in the public market, or the perception that such offerings or sales could occur, may cause the market price of our Shares to decline. We cannot predict the effect, if any, that any future sales of Shares by any Substantial Shareholder, or the availability of Shares for sale by any Substantial Shareholder or the perception that such sales or issuances may have on the market price of our Shares. Sales of substantial amounts of Shares by any Substantial Shareholder or the market perception that such sales may occur, could materially and adversely affect the prevailing market price of our Shares. As such,

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it could also have a material and adverse effect on our ability to raise capital in the future at a time and at a price deemed appropriate. In addition, if we issue additional Shares or share options in the future, you may experience further dilution.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or information disseminated through other media relating to us and/or the Global Offering, certain of which may not be consistent with the information contained in this prospectus.

Prior to the publication of this prospectus, there may be press and media coverage regarding us and/or the Global Offering including certain financial information, financial projections and other information about us that do not appear in this prospectus, the disclosure of which was not authorised by us (the “**Unauthorised Information**”). We wish to emphasise to potential investors that we do not accept any responsibility for any such Unauthorised Information. The Unauthorised Information was not sourced from or approved by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the Unauthorised Information. To the extent that any of the Unauthorised Information is inconsistent with, or is in conflict with, the information contained in this prospectus, we disclaim it. Accordingly, prospective investors are cautioned to make their investment decisions based solely on the information contained in this prospectus and should not rely on any of the Unauthorised Information.

Reliance on forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters.

The words “anticipate”, “believe”, “could”, “predict”, “potential”, “continue”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would”, “should” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgement of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in the section headed “Risk factors” in this prospectus. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

We cannot guarantee the accuracy of facts and other statistics with respect to certain information obtained from research reports and supplied by other parties contained in this prospectus

Certain facts and statistics cited in this prospectus are based on various official government and non-official publications, including the CIC Report. We cannot guarantee the quality or reliability of such facts and statistics. Such information has not been independently verified by us and may be inconsistent, inaccurate, incomplete or out-of-date. None of our Company, the Sole Sponsor, the Sole Bookrunner, the Underwriters, their respective directors and advisers or any other parties involved in the Global Offering makes any representation as to the accuracy or completeness of such facts and statistics. Such facts and statistics may not be consistent with other information compiled within or outside the PRC. Furthermore, the facts and statistics may be incomparable to statistics on the economies of other nations and there can be no assurance that the statistics are stated or compiled on the same basis or with the same degree of accuracy as compared to those stated or compiled by other nations. Accordingly, such facts and statistics should not be unduly relied upon.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for Listing, we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE

Waiver from strict compliance with Rule 8.12 of the Listing Rules

An application has been submitted to the Stock Exchange for a waiver from strict compliance with Rule 8.12 of the Listing Rules which requires a new applicant applying for primary listing on the Main Board to have sufficient management presence in Hong Kong. This normally means that at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Since the principal business operation of our Group is located in the PRC, the senior management team of our Group is and will continue to be based in the PRC. At present, both of our executive Directors are not ordinarily resident in Hong Kong. Further, our Directors consider that it would be practically difficult and not commercially feasible for our Company to appoint two more Hong Kong residents as executive Directors or to relocate any of our existing executive Directors to Hong Kong merely for the purpose of complying with Rule 8.12 of the Listing Rules. Accordingly, we do not and, in the foreseeable future, will not have a sufficient management presence in Hong Kong for the purposes of satisfying the requirement under Rule 8.12 of the Listing Rules.

In this regard, the Stock Exchange has granted a waiver to our Company from strict compliance with the requirement under Rule 8.12 of the Listing Rules. In this respect, our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, namely, Mr. Wang, an executive Director and the chairman of our Board, and Ms. Yuen Wing Yan Winnie, our company secretary, who will act as our principal channel of communication with the Stock Exchange. Ms. Yuen Wing Yan Winnie is a Hong Kong resident and is contactable by the Stock Exchange. Each of the Directors will provide his mobile phone number, office phone number, fax number and e-mail address to the Stock Exchange. Each of them has the means for contacting all Directors promptly at all times and when the Stock Exchange wishes to contact our Directors on any matters. Each of them is authorised to communicate on behalf of our Company with the Stock Exchange.

Each Director who is not ordinarily resident in Hong Kong have also confirmed that he possesses valid travel documents to visit Hong Kong and can meet with the Stock Exchange upon a reasonable period. Each of our Directors has provided his mobile phone number, office phone number, email address and fax number to the authorised representatives and the Stock Exchange.

In addition, our Company has appointed a compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our Company's financial results for the first full financial year after the Listing Date. The compliance adviser will act as an additional channel of communication with the Stock Exchange.

Furthermore, our Company shall also appoint other professional advisers (including legal advisers and accountants) after Listing to assist our Company in dealing with any questions which may be raised by the Stock Exchange and to ensure that there will be efficient communication with the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

The following information is provided for guidance only. Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable laws in the countries of their respective citizenship, residence and domicile.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, 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 about our Group. 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 herein or this prospectus misleading.

The Global Offering is made solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. No person is authorised in connection with the Global Offering to give any information or to make any representation not contained in this prospectus and the Application Forms, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Sole Sponsor, the Underwriters, any of their respective directors or affiliates of any of them or any other person or party involved in the Global Offering. You should only rely on the information contained in this prospectus and the Application Forms to make your investment decision.

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 and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter, and the International Offering is expected to be fully underwritten by the International Underwriter. The Global Offering is subject to our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price. The Global Offering is managed by the Sole Global Coordinator. If, for any reason, the Offer Price is not agreed upon between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For further information, please refer to the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Hong Kong Offer Shares are being offered at the Offer Price which is expected to be determined by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on or around Tuesday, 20 February 2018, or such later date as may be agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us but in any event not later than Wednesday, 21 February 2018.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

If the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us are unable to reach an agreement on the Offer Price on or before the Price Determination Date, the Global Offering will not become unconditional and will lapse.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares is set out in the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus and on the Application Forms.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, 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 Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. No person is authorised to give any information or to make any representation not contained in this prospectus and the Application Forms, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Sole Sponsor, the Underwriters, any of their respective directors, affiliates, advisors, agents or representatives of any of them or any other person or party involved in the Global Offering.

Each person acquiring the Offer Shares will be required to, or be deemed by his acquisition of Offer Shares, to confirm, that he is aware of the restrictions on offers and sale of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances contravene any such restrictions.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and Shares to be issued under the Capitalisation Issue. Save as disclosed in this prospectus, no part of the share or loan capital of our Company 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.

REGISTER OF MEMBERS AND STAMP DUTY

All Offer Shares subscribed for pursuant to applications made in the Hong Kong Public Offering will be registered on our Company’s branch share register of members to be maintained in Hong Kong by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong. Our Company’s principal register of members will be maintained in the Cayman Islands. Only Shares registered on the register of members of our Company in Hong Kong may be traded on the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Dealings in Shares registered in the register of members in Hong Kong will be subject to Hong Kong stamp duty. The current rate of stamp duty in Hong Kong is 0.2% of the consideration of, if higher, the market value of the Shares being sold or transferred.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the Offer Shares, you should consult an expert.

We, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors, agents or advisers or any other persons or parties involved in the Global Offering do not accept responsibility for any tax effects on or liabilities resulting from the subscription for, purchase, holding, disposing of, dealing in, or the exercise of any rights in relation to, the Offer Shares.

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange as well as our compliance 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 Listing Date or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading days. Investors should seek the advice of their stockbroker or other professional advice for details of these settlement arrangements and how such arrangements will affect their rights and interests.

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 for the Shares to be admitted into CCASS.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the sections headed “Structure of the Global Offering” and “How to apply for the Hong Kong Offer Shares” in this prospectus.

CURRENCY TRANSLATIONS

Unless otherwise specified, certain amounts denominated in RMB and US\$ have been translated, for illustrative purposes only, into Hong Kong dollars in this prospectus at the following rates:

RMB1.00	:	HK\$1.18
US\$1.00	:	HK\$7.75

No representation is made at that any amounts in RMB or HK\$ can be or could have been at the relevant dates converted at the above rate or any other rates, or at all.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

LANGUAGE

The English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain monetary amounts 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 which precede them.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Main Board are expected to commence at 9:00 a.m. on Friday, 2 March 2018 under the stock code 1933. Shares will be traded in board lots of 4,000 each.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Wang Dongbin (王東斌)	No. 52, Zhi Yuan Alley Hui Gu Gen Yuan West District Chaoyang District, Beijing the PRC	Chinese
Mr. Wu Hongyuan (吳洪淵)	Room 602 Unit One Dormitory Tower One Beijing Electricity Institute Haidian District, Beijing the PRC	Chinese
<i>Non-executive Director</i>		
Mr. Yang Qi (楊麒) ^{Note}	Flat A, 6/F Lime Stardom No. 1 Larch Street Tai Kok Tsui Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Ng Kong Fat (吳光發)	House 11 Laverte 283 Jockey Club Road Fanling, New Territories Hong Kong	Chinese
Mr. Han Bin (韓彬)	No. 2302, Tower 5 No. 20 Shou Du Ti Yu Guan Nan Road Haidian District, Beijing the PRC	Chinese
Mr. Wang Peng (王鵬)	No.32, West Xiakou Road Qinghe Haidian District, Beijing the PRC	Chinese

Please refer to the section headed “Directors and senior management” in this prospectus for further details.

Note: Pursuant to the pre-IPO agreement entered into between, among others, our Company and Chance Talent, Mr. Yang Qi has tendered his resignation as a non-executive Director with effect on the Listing Date. For further details of the pre-IPO investment, please refer to the paragraph headed “Pre-IPO investment” under the section headed “History and development and Reorganisation” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED

Sole Sponsor and compliance adviser	LY Capital Limited Rooms 1901–02 China Insurance Group Building 141 Des Voeux Road Central Hong Kong
Sole Global Coordinator	Founder Securities (Hong Kong) Limited 21st Floor 33 Des Voeux Road Central Hong Kong
Sole Bookrunner and Sole Lead Manager	Founder Securities (Hong Kong) Limited 21st Floor 33 Des Voeux Road Central Hong Kong
Legal advisers to the Company	<i>As to Hong Kong law:</i> Chiu & Partners 40th Floor, Jardine House 1 Connaught Place Hong Kong <i>As to PRC law:</i> Jingtian & Gongcheng 34th Floor, Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing 100025, China <i>As to Cayman Islands law:</i> Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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

As to Hong Kong law:

Jun He Law Offices
Suite 3701-10
37th Floor, Jardine House
1 Connaught Place
Central, Hong Kong

As to PRC law:

Global Law Office
Block B-C
26th Floor, Tower 5
Dachong International Center
No. 39 Tonggu Road,
Nanshan District
Shenzhen 518055, China

Reporting accountants and auditors

KPMG
8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

Receiving bank

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands	Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands
Principal place of business in the PRC	Flat 903, Block E 9 Third Shangdi Street Haidian District Beijing the PRC
Place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Company's website	<u>www.oneforce.com.cn</u> <i>(the information contained in this website does not form part of this prospectus)</i>
Company secretary	Ms. Yuen Wing Yan Winnie <i>FCIS, FCS</i> Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Authorised representatives	Mr. Wang Dongbin No. 52, Zhi Yuan Alley Hui Gu Gen Yuan West District Chaoyang District, Beijing the PRC Ms. Yuen Wing Yan Winnie Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Audit Committee	Mr. Ng Kong Fat (<i>Chairman</i>) Mr. Han Bin Mr. Wang Peng
Nomination Committee	Mr. Wang Dongbin (<i>Chairman</i>) Mr. Han Bin Mr. Wang Peng

CORPORATE INFORMATION

Remuneration Committee

Mr. Han Bin (*Chairman*)
Mr. Ng Kong Fat
Mr. Wang Dongbin

**Principal share registrar
and transfer office in
the Cayman Islands**

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal bankers

China Construction Bank (Shangdi, Beijing branch)
No. 28, Xixi Road
Shangdi, Haidian District
Beijing
the PRC

Bank of Hangzhou (Zhongguancun, Beijing branch)
1st Floor, Zhongwan International
No.1, Caihefang West Alley
Haidian District
Beijing
the PRC

INDUSTRY OVERVIEW

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications, and from the market research report prepared by CIC, which was commissioned by us. We believe that the information is derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information that would qualify, contradict or have a material impact on such information since the date of the CIC Report. The information has not been independently verified by our Company, the Sole Sponsor, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy. The information and statistics may not be consistent with other information and statistics compiled within or outside China.

OVERVIEW OF THE ELECTRIC POWER INDUSTRY IN THE PRC

The value chain

Set out below is an analysis of the value chain of the electric power industry in the PRC.

	Generation	Transmission	Distribution	End users
Market participants	<p>Electric power generation companies, such as China Huaneng Group (中國華能集團公司), China Datang Corporation (中國大唐集團公司), China Huadian Corporation (中國華電集團公司), China Guodian Corporation (中國國電集團公司) and State Power Investment Corporation (國家電力投資集團)</p>	<p>Electric power grid companies with a transmission voltage of over 220 kilovolt, including:</p> <ol style="list-style-type: none"> 1. SGCC Group (which operates in 26 provinces, autonomous regions and municipalities in the PRC that cover nearly 88% of the national territory in terms of area in the PRC); 2. CSG (which operates in five provinces in the PRC, namely Guangdong, Guangxi, Yunnan, Guizhou, Hainan); and 3. IMPG Group (which operates in west Inner Mongolia) 	<p>Electric power distribution companies, including:</p> <ol style="list-style-type: none"> 1. SGCC Group; 2. CSG; 3. IMPG Group; 4. 15 prefectural level operators of electric power grid as at Latest Practicable Date; 5. approximately 400 county level operators of electric power grid as at the Latest Practicable Date; and 6. electric power retailing companies, which are emerging as a result of the implementation of the New Reform 	<p>Electricity users, including:</p> <ol style="list-style-type: none"> 1. industrial users; 2. commercial users; 3. residential users; and 4. other users

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	Generation	Transmission	Distribution	End users
Main function(s)	Invest to build and operate power plants	<ul style="list-style-type: none"> • Invest to construct and operate electric power grid • Transmission and distribution of electricity 	Purchase electricity from various sources and re-sell to end users	<ul style="list-style-type: none"> • Purchase electricity from electric power distribution companies • Large industrial electricity users are permitted to purchase electricity directly from electric power generation companies as a result of the implementation of the New Reform

Annual electric power consumption and supply in the PRC

With the world's largest population base and a considerable nominal GDP, China has been and is expected to be the country with the largest consumption of electric power. China's annual consumption volume of electric power increased from approximately 4,965.7 TWh in 2012 to approximately 6,092.1 TWh in 2016, representing a CAGR of approximately 5.2%. It is expected that China's annual consumption volume of electric power will further grow at a CAGR of approximately 4.2% between 2017 and 2021, reaching approximately 7,483.5 TWh by 2021.

On the other hand, China's annual supply volume of electric power increased from approximately 4,986.5 TWh in 2012 to approximately 6,142.5 TWh in 2016, representing a CAGR of approximately 5.4%. It is expected that China's supply volume of electric power will further increase to approximately 7,496.9 TWh in 2021, with a CAGR of approximately 4.1% between 2017 and 2021.

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OVERVIEW OF THE ELECTRIC POWER TRANSMISSION AND DISTRIBUTION INDUSTRY IN THE PRC

China's electric power grid is mainly operated by three state-owned enterprises, namely SGCC Group, CSG and IMPG Group. According to the CIC Report, SGCC Group covers approximately 88% of China's national territory in terms of area in 2016 and over 80% of the primary transmission lines are built and operated by SGCC Group. The following graph sets forth the primary electric power transmission lines in China in 2016:

Electric power grid, China, 2016



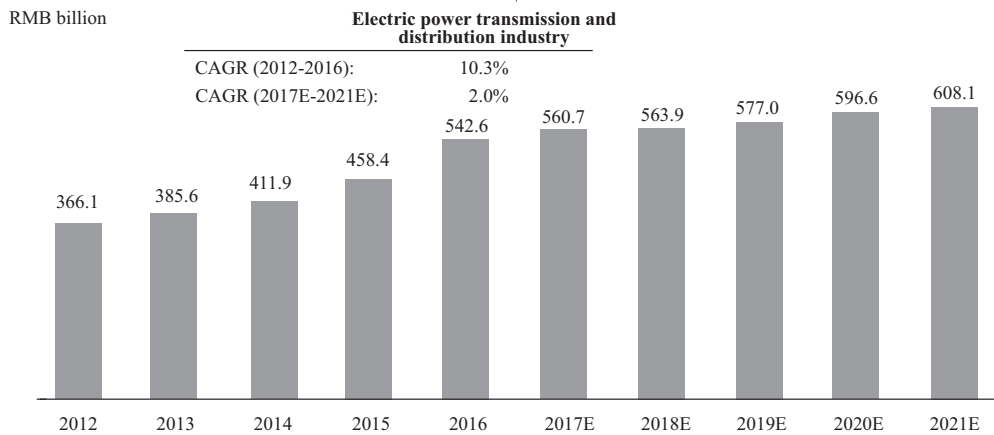
Source: CIC

INDUSTRY OVERVIEW

Annual investment in China's electric power transmission and distribution industry

The Chinese government has invested approximately RMB2,164.6 billion in aggregate between 2012 and 2016 in order to optimise China's electric power transmission and distribution industry, with an annual investment in China's electric power transmission and distribution industry increasing from approximately RMB366.1 billion in 2012 to approximately RMB542.6 billion in 2016, representing a CAGR of approximately 10.3%. The following chart sets out China's annual investment in its electric power transmission and distribution industry for the period indicated:

Annual investment in electric power transmission and distribution industry, China, 2012-2021E



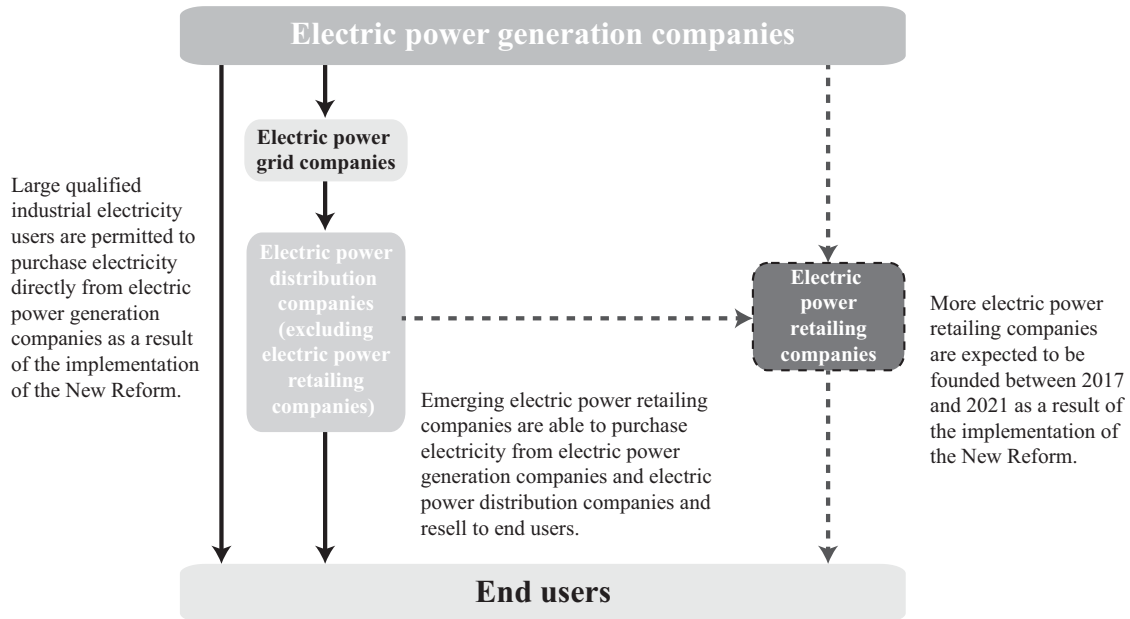
Source: China Electricity Council, CIC

According to 《配電網建設改造行動計劃(2015–2020)》 (Construction and Optimisation Plan of Distribution System of Electric Power Grid) issued by the National Energy Administration, the total investment in China's electric power transmission and distribution industry between 2016 and 2020 will be approximately 31.4% higher than those between 2011 and 2015. The annual investment in China's electric power transmission and distribution industry is expected to grow further at a CAGR of approximately 2.0% between 2017 and 2021, reaching approximately RMB608.1 billion by 2021.

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Development trends of the structure of China's electric power transmission and distribution industry

Set out below is an analysis of the development trends of the structure of China's electric power transmission and distribution industry in the PRC.



Notes:

1. Box with dotted line and arrows with dotted line represent the new market segment and opportunities that will emerge with the implementation of the New Reform.
2. Arrow represents the current electricity trade flow.

In order to (i) accelerate the electricity pricing reform and standardise the pricing system; (ii) accelerate the construction of the electric power exchange platform; (iii) improve the market-based transaction mechanism; (iv) implement the reform of electricity selling; and (v) encourage state-owned electric power distribution companies to operate as market-oriented enterprises to achieve efficient use of electricity, the New Reform was introduced. With the implementation of the New Reform, not only the state-owned electric power distribution companies are encouraged to operate as market-orientated enterprises to achieve efficient use of electricity, private capital has also been encouraged to enter into the China's electric power transmission and distribution industry. Therefore, it was considered that the best option for private capital to enter into the China's electric power transmission and distribution industry was by setting up electric power retailing companies, which connect electric power generation companies and end users. According to the New Reform, electric power retailing companies are permitted to be established since 2015 to purchase and re-sell electricity. The first electric power retailing company was established in January 2015. According to the CIC Report, the total number of registered electric power retailing companies increased dramatically from approximately 270 in February 2016 to approximately 3,512 in December 2016. As electric power selling and management system can be regarded as a necessity for the operation of electric power retailing service, the penetration rate of electric power selling and management system among the electric power retailing companies is expected to continue to grow between 2017 and 2021. Details regarding the impact of New Reform to the electric power selling

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and management system in the PRC, please refer to the sub-paragraph headed “Market size of electric power selling and management system in the PRC” under the paragraph headed “Electric power software and information service industry in the PRC” below.

ELECTRIC POWER SOFTWARE AND INFORMATION SERVICE INDUSTRY IN THE PRC

According to the CIC Report, the market size of the electric power software and information service industry in terms of revenue decreased from approximately RMB20.3 billion in 2012 to approximately RMB14.9 billion in 2016. With the further development of electric power retailing companies and demand created by change of the management structure of major electric power generation companies, it is expected that the market size of electric power software and information service industry will grow at a CAGR of approximately 0.5% between 2017 and 2021, reaching approximately RMB15.2 billion.

According to the CIC Report, major customers of the electric power software and information service industry in 2016 include (i) large electric power generation companies, e.g. China Huadian Corporation and China Guodian Corporation; (ii) large local electric power generation companies, e.g. Tianjin TEDA; and (iii) electric power grid companies.

The following table sets out the basic tender requirements for electric power software and information service supplier of electric power grid companies and electric power generation companies respectively:

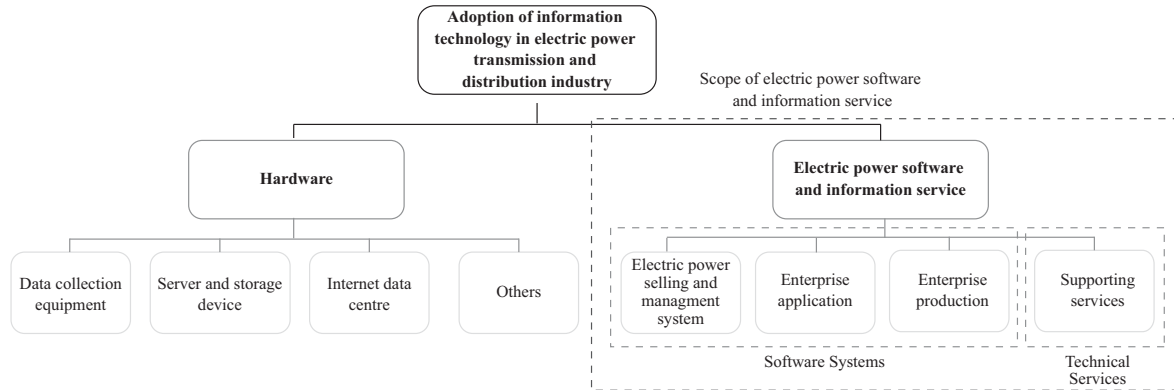
	Electric power generation companies	Electric power grid companies
Capital requirement	Registered capital requirement (usually not less than RMB10 million)	Sufficient capital to complete the task
Certifications	<ul style="list-style-type: none"> • ISO 9000 quality management • Software enterprise certification • Computer information system integration qualification (level 3 or above) • Capability Maturity Model Integration (“CMMI”) certification (level 3 or above) 	<ul style="list-style-type: none"> • ISO 9000 quality management • Computer information system integration qualification (level 2 or above) • CMMI certification (level 3 or above) • Security certificate (level 4) issued by 公安部計算機信息系統安全產品質量檢測中心 (The MPS Quality Supervision and Testing Center of Security Products for Network and Information System)
Technology testing	N/A	Ministry of Industry and Information of the PRC test report

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Adoption of information technology in China's electric power transmission and distribution industry

Structure of China's electric power transmission and distribution industry with the adoption of information technology

Set out below is an analysis of the structure of China's electric power transmission and distribution industry with the adoption of information technology.



The adoption of information technology in China's electric power transmission and distribution industry can be divided into (i) construction of hardware, such as data collection equipment, server and storage device and internet data centre; and (ii) electric power software and information service which constitute the core system to assist companies engaged in electric power transmission and distribution in user management, data collection and analyses and routine management.

Segmentation of electric power software and information service for China's electric power transmission and distribution industry

Set out below is a table regarding the segmentation of electric power software and information service in China's electric power transmission and distribution industry.

Information and software service

1. *Electric power selling and management system*
 - Electricity metering system
 - Customer service system
 - Payment system

Main users

Electric power distribution companies

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Information and software service

Main users

2. Enterprise application

- Information platform — designed to transmit and process data collected from users
- Enterprise resource planning system — generally offered as a software that unifies various departments of companies engaged in electric power transmission and distribution
- Information protection system — designed to protect data of companies engaged in electric power transmission and distribution from being leaked or destroyed

Electric power distribution companies

3. Enterprise production

- Equipment management system
- Safety management system
- Production scheduling system
- Construction project management
- Project management

Electric power grid companies

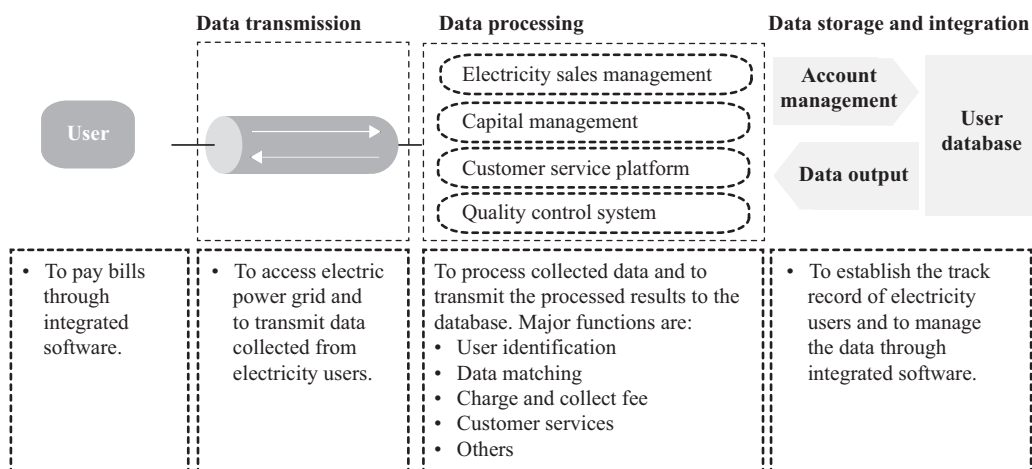
4. Technical services

- Supportive coding services
- System operation and maintenance

Electric power grid companies, electric power distribution companies, and electric power retailing companies

Electric power selling and management system

Electric power selling and management system is generally offered through integrated software systems to enable automation and controllability of electric power distribution. The following diagram shows the features of electric power selling and management system.

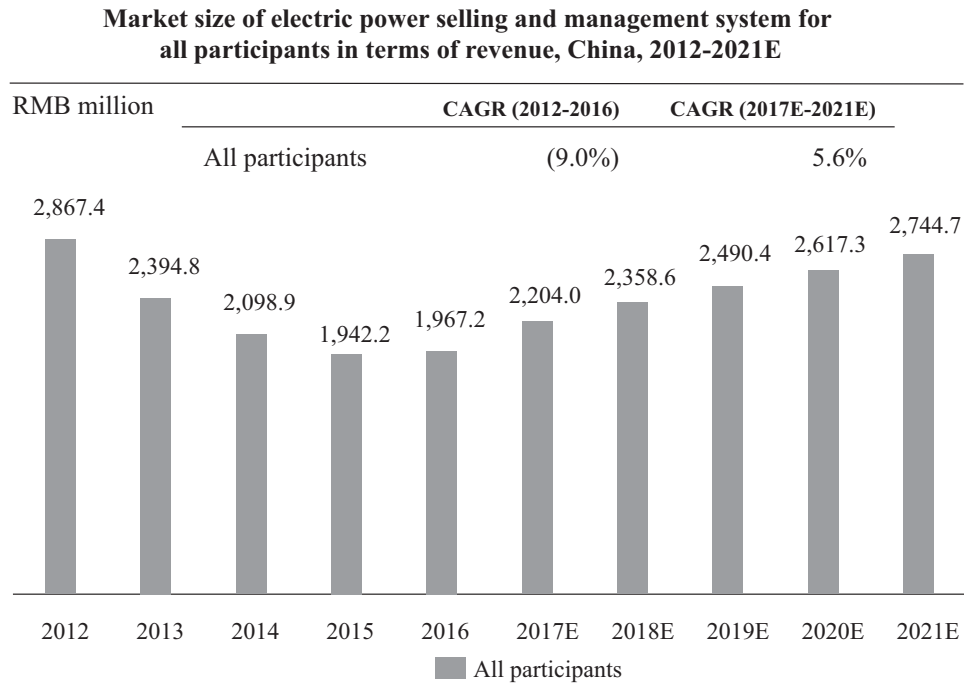


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Market size of electric power selling and management system in the PRC

Overall market size

The following chart sets out the overall market size of electric power selling and management system in the PRC in terms of revenue for the periods indicated:



Source: CIC, China Electricity Council, SGCC Corporate Social Responsibility Report

As electric power selling and management system is one of the most important segments of information and software service in the electric power transmission and distribution industry in the PRC, the expenditure on electric power selling and management system also accounts for a relatively substantial share of the total expenditure of information and software service in the PRC.

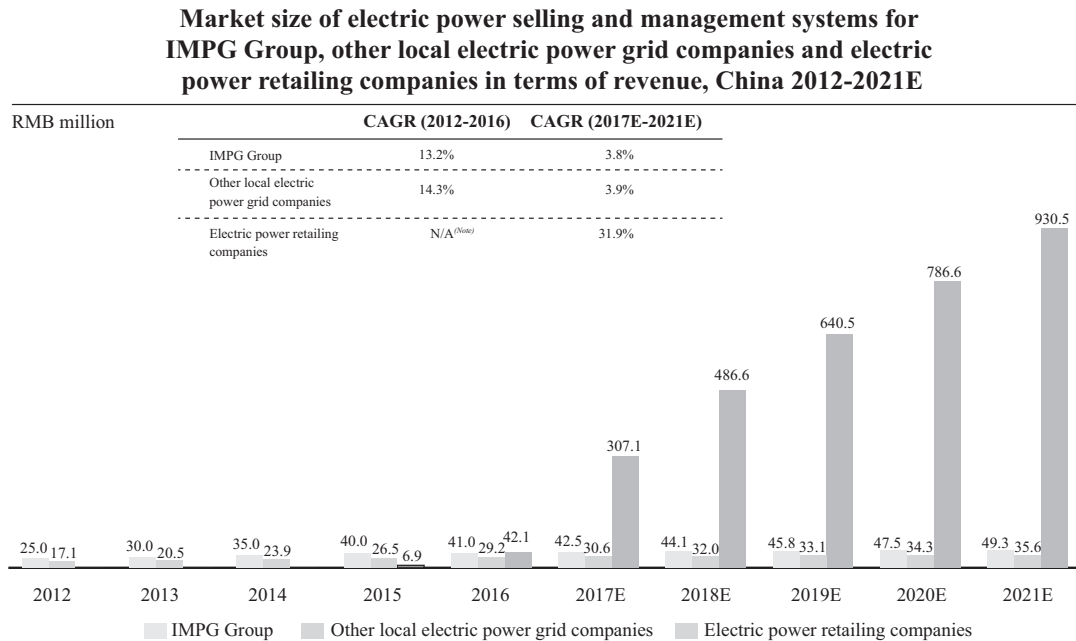
SGCC Group

The market size of electric power selling and management software systems for SGCC Group recorded a decline at a negative CAGR of approximately 11.0% between 2012 to 2016, from approximately RMB2,579.6 million in 2012 to RMB1,615.1 million in 2016, and is expected to continue to decrease at a negative CAGR of approximately 0.9% between 2017 and 2021.

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IMPG Group, other local electric power grid companies and electric power retailing companies

The following chart sets out the market size of electric power selling and management system for IMPG Group, other local electric power grid companies and electric power retailing companies in terms of revenue for the periods indicated:



Notes:

1. Electric power retailing companies emerging with the promulgation of the New Reform in 2015.
2. Most of the registered electric power retailing companies will commence operation after 2017, which will generate demand for electric power selling and management system.

Source: CIC

In 2016, the market size of IMPG Group, other local electric power grid companies and electric power retailing companies accounted for approximately 2.1%, 1.5% and 2.1% to the overall market size, respectively. With the expected increase in the number of electric power retailing companies as a result of the New Reform, it is expected that market size of IMPG Group, other local electric power grid companies and electric power retailing companies would account for approximately 1.8%, 1.3% and 33.9% to the overall market size, respectively, in 2021.

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According to the CIC Report, the total number of electric power retailing companies increased dramatically from approximately 270 in February 2016 to approximately 3,512 in December 2016. Despite (i) the market size of electric power selling and management system for SGCC Group is expected to decline at a negative CAGR of approximately 0.9% from 2017 to 2021; and (ii) the market size of electric power selling and management system for IMPG Group and other local electric power grid companies are expected to increase by a more moderate rate with a CAGR ranging between 3.8% and 3.9% from 2017 to 2021, it is expected that the market size of electric power selling and management system for electric power retailing companies will increase at a CAGR of approximately 31.9% from 2017 to 2021. This is because electric power selling and management system can be regarded as a necessity for the operation of electric power retailing service, as most of the electric power retailing companies were newly established in 2016 as a result of the implementation of the New Reform, whereas the traditional electric power distribution companies, such as SGCC Group, has become more mature, the penetration rate of electric power selling and management system among the electric power retailing companies is expected to continue to grow between 2017 and 2021. In addition, maintenance service of electric power selling and management system is required and generally will be provided on a reimbursable basis by the system provider. The (i) estimated stable growth in the investment in electric power selling and management system by medium-sized electric power retailing companies; (ii) growing number of electric power retailing companies; (iii) increasing penetration rate; and (iv) increase in revenue derived from provision of maintenance services of electric power selling and management system are expected to foster a rapid growth in the market size of electric power selling and management system for electric power retailing companies. Thus, the New Reform has led to the increase in the number of electric power retailing companies, which subsequently foster a more competitive and transparent environment for electric power transmission and distribution industry in the PRC in the future.

Drivers of electric power selling and management system market in China

1. *Continuous investment in maintaining the system in operation* — the operation and maintenance of the electric power selling and management system require a considerable amount of investment; it is estimated that the annual investment in the operation and maintenance of the systems by electric power grid companies will not be less than RMB1,700 million, which is expected to be a guaranteed stream of revenue for electric power selling and management system providers;
2. *Increasing demand from the further development of electric power grids* — the electric power grids are undergoing a comprehensive upgrade to include smart functions; as an integrated part of the upgrade, the electric power selling and management functions are expected to include more smart functions and big data applications, such as automatic meter reading and intelligent electric power consumption monitoring, which will enhance the efficiency and reduce the cost of electric power selling and management activities; the upgrade of power selling and management functions will engage electric power selling and management system providers; and
3. *Increasing demand from electric power retailing companies* — electric power retailing companies engage in the purchase and distribution of electric power; driven by the New Reform, an increasing number of electric power retailing companies have entered and will enter the electric power selling market; the increasing number of electric power retailing companies generates additional demand for electric power selling and management systems.

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Competitive analysis of electric power selling and management system industry in China

In 2016, there are approximately 30 electric power selling and management system providers in China. According to the CIC Report, due to the size of operation and coverage of geographical areas of SGCC Group and CSG, historically they have been engaging various service providers. Their own affiliate companies are in the leading positions with relatively large market shares of the electric power selling and management system market. For example, Beijing Zhongdian Puhua Information Technology Company Limited and NARI Technology Co., Ltd. are affiliate companies of SGCC Group, accounting for approximately 35.1% and 28.0% of the total market size in 2016, respectively. Yunnan Yundiantongfang Technology Co., Ltd. is an affiliate company of CSG and accounted for approximately 2.5% of the total market size in 2016. Other than SGCC Group's and CSG's own affiliate companies, there is no single dominating participant in the market and each accounts for a relatively small portion of the total market share.

The following table sets out the profile of the major electric power selling and management system providers in China, including ranking and market share in terms of revenue in 2016:

Rank	Company	Major service(s)	Major customer(s)	Revenue (RMB'million)	Market share (%)
1	北京中電普華信息技術有限公司 (Beijing Zhongdian Puhua Information Technology Company Limited*)	<ul style="list-style-type: none"> • Electric power selling and management system; and • Enterprise application 	SGCC Group	690.0	35.1
2	國電南瑞科技股份有限公司 (NARI Technology Co., Ltd.)	<ul style="list-style-type: none"> • Hardware construction; • Electric power selling and management system; and • Enterprise application 	SGCC Group	550.0	28.0
3	郎新科技股份有限公司 (Longshine Technology (China) Co., Ltd.)	<ul style="list-style-type: none"> • Electric power selling and management system; • Enterprise application; and • Technical services 	SGCC Group and CSG	220.0	11.2
4	東軟集團股份有限公司 (Newsoft Corporation)	<ul style="list-style-type: none"> • Electric power selling and management system; • Enterprise application; and • Technical services 	SGCC Group and CSG	160.0	8.1

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Rank	Company	Major service(s)	Major customer(s)	Revenue (RMB'million)	Market share (%)
5	烟台海颐软件股份有限公司 (Yantai Haiyi Software Company Limited*)	<ul style="list-style-type: none"> • Electric power selling and management system; • Enterprise application; and • Technical services 	CSG	155.0	7.9
6	云南云电同方科技有限公司 (Yunnan Yundiantongfang Technology Co., Ltd.*)	<ul style="list-style-type: none"> • Electric power selling and management system; • Enterprise application; and • Technical services 	CSG	50.0	2.5
7	Our Group	<ul style="list-style-type: none"> • Electric power selling and management system; and • Technical services 	IMPG Group and SGCC Group	43.0	2.2
—	Others		—	99.2	5.0
			Total	<u>1,967.2</u>	<u>100.0</u>

* For identification purpose only

Key success factors of electric power selling and management system industry in China

1. *In-depth understanding of and rich experience in electric power industry* — management's comprehensive understanding of and rich experience in the electric power industry enables them to better understand client's operational demand and to predict the trend of market development;
2. *Strong software development skill* — enables the implementation of a satisfactory electric power selling and management system, especially for a platform that can potentially serve millions of users;
3. *Ability to deliver timely and quality service with extensive geographical coverage* — most of the customers need to operate without interruption, hence it is important for electric power selling and management providers to have a local customer service team to provide timely support;
4. *Sufficient social and capital resources* — it is fund-consuming for electric power selling and management providers to maintain a competitive research and development team and customer service team;

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5. *Early entry into the market* — the electric power transmission and distribution market is a highly regulated and concentrated market, in which SGCC Group and CSG are in dominant positions; electric power selling and management system providers with early presence in the market and proven track records are more likely to establish long-term business partnerships with these large state-owned customers;
6. *Technology barrier* — electric power selling and management system must be highly compatible, flexible and stable in order to serve millions of users which requires software providers to have an in-depth understanding on platform design, data processing and application upgrade, and it would require a highly experienced research and development and execution team to carry out the task;
7. *Customer loyalty barrier* — to improve the system integrity and ensure the consistency in system maintenance and future upgrades, customers of electric power selling and management systems generally prefer to choose software companies that has cooperation with them in previous stages of system developments;
8. *Accumulative business barrier* — as the development of electric power transmission and distribution industry in China evolves rapidly, electric power selling and management systems are required to adapt to such rapid development quickly; it requires much accumulation of long term business experience in order to develop systems that satisfy the customer needs; on the other hand, contracts for electric power selling and management systems are primarily obtained through tendering process. Therefore, market entrants are disadvantaged in the tendering process with a lack of project experiences; and
9. *Capital requirement barrier* — the development cycle of electric power selling and management system is generally lengthy due to the customised design required for each customer, which would result in a relatively long payment cycle, impacting the cash flow of the system developer; system developers would require a large amount of start-up capital and consequential investment.

Details regarding our competitive strengths in the market are set out in the paragraph headed “Competition” under the section headed “Business” in this prospectus.

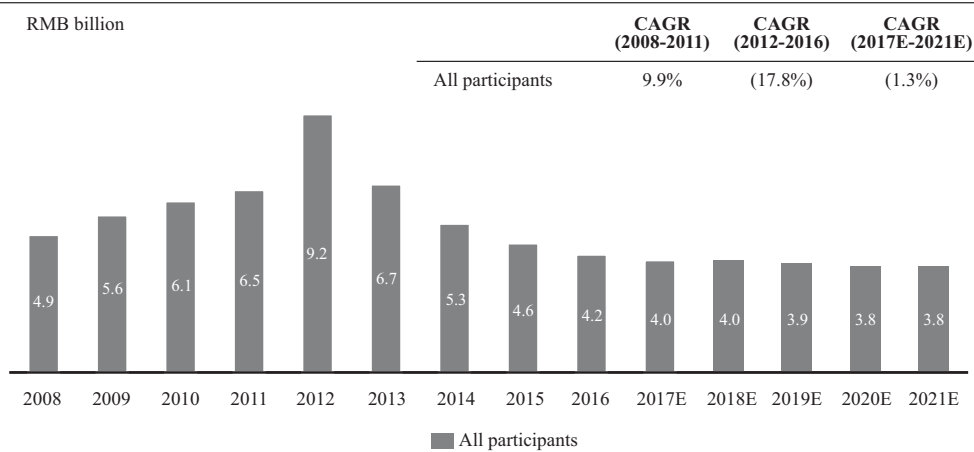
Market size of technical services in the PRC

Technical services in the electricity industry include maintenance and upgrading services for software systems in relation to electric power selling and management; and outsourcing technical staff to customers in relation to the electric power exchange for trading of electricity.

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In 2016, the market size of technical services in the PRC in terms of the revenue reached approximately RMB4.2 billion. Our Group has a revenue of approximately RMB25.6 million in provision of Technical Services in 2016, accounting for a market share of approximately 0.6%. The following chart sets out the overall market size of technical services in the PRC in terms of revenue for the periods indicated:

Market size of technical services in electric power transmission and distribution industry for all participants in terms of revenue, China, 2008-2021E



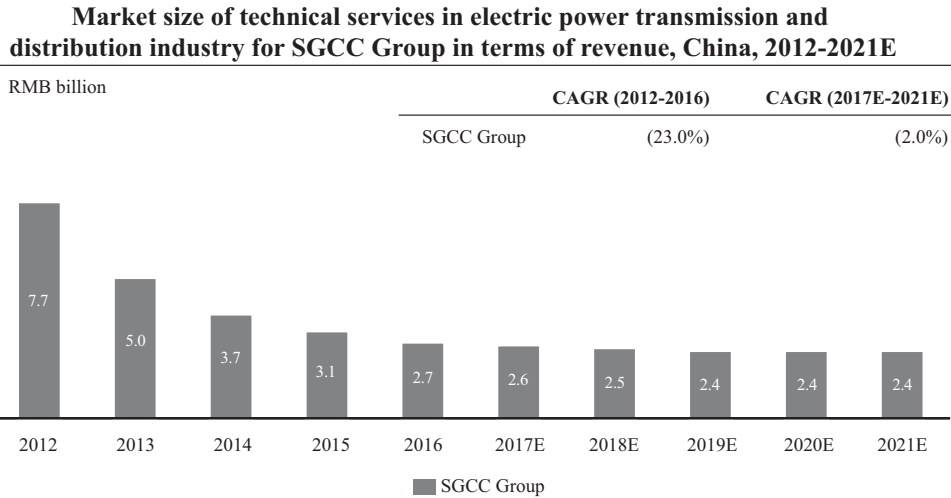
Note: All participants include SGCC Group, CSG, IMPG Group, other local electric power grid companies and electric power retailing companies

Source: CIC, China Electricity Council, SGCC Corporate Social Responsibility Report

The market size of provision of technical services for IMPG Group increased from approximately RMB47.3 million in 2012 to approximately RMB91.7 million in 2016, with a CAGR of approximately 18.0%. In 2016, the market size of IMPG Group and electric power retailing companies accounted for approximately 2.14% and 0.28% to the overall market size, respectively. With the expected increase in the number of electric power retailing companies as a result of the New Reform, it is expected that market size of IMPG Group and electric power retailing companies would account for approximately 2.67% and 6.79% to the overall market size, respectively, in 2021.

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The following chart sets out the market size of technical services for SGCC Group in terms of revenue for the periods indicated:



Source: CIC, SGCC Corporate Social Responsibility Report

Compared with IMPG Group and other local electric power grid companies and electric power retailing companies, SGCC Group are of larger scale. As a result, the information and software services are much more sophisticated for SGCC Group. Since several main contractors of information and software services are not capable of covering all the areas of the information and software services for SGCC Group, these main contractors normally engage several technical services providers, which are familiar with China’s electric power transmission and distribution industry, to assist them in part of the project and maintenance of several provincial systems.

With the adoption of information technology by SGCC Group which became more mature in 2014, the market size of technical services for SGCC Group decreased from approximately RMB7.7 billion in 2012 to approximately RMB2.7 billion in 2016, with a negative CAGR of approximately 23.0%. It is expected that the annual investment will tend to be stable between 2017 and 2021, with the estimated annual investment ranging between approximately RMB2.4 billion and approximately RMB2.6 billion.

As a whole, the total market size of provision of technical services for IMPG Group and SGCC Group decreased from approximately RMB7.73 billion in 2012 to approximately RMB2.82 billion in 2016, with a negative CAGR of approximately 22.3%. It is expected that the total market size of technical services for IMPG Group and SGCC Group will further decrease to approximately RMB2.50 billion by 2021.

Drivers of technical services market in China

1. *Demand for maintenance and upgrade of information system in operation* — adequate amount of investment will be sustained to support the operational maintenance and necessary upgrade of the current information system; thus, relevant technicians will be required by companies engaged in electric power transmission and distribution to support their routine operations in long run;

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2. *Customised demand from provincial and municipal companies engaged in electric power transmission and distribution* — though standards of information systems for companies engaged in electric power transmission and distribution are usually disseminated to all its regional offices and subsidiaries by the group headquarters, provincial and municipal branch companies may have their own demands for information systems based on their operation situation; thus technical services will be necessary to modify information system in order to fulfill different needs of provincial and municipal companies engaged in electric power transmission and distribution; and

3. *Increasing demand for outsourcing staff with the promulgation of the New Reform* — The New Reform encourages the construction of electric power exchange platforms. 35 provincial level electric power exchange centres and platforms have been established by the end of 2017 after the effective promulgation of the New Reform. The rising number of electric power exchange centres and platforms generates increasing demand for outsourcing staff, which is part of the technical services.

CHARGING FACILITIES IN THE PRC

Set out below is an analysis of the value chain of electric car charging industry in the PRC:

	Component supplier	Charging point manufacturer	Solution provider	Operation service provider	Charging point user
Main function	Manufacture components for charging points, including charger base, battery charger, etc.	Manufacture charging points	Provide a range of solutions to operation service providers including application, installation design, maintenance, etc.	<ul style="list-style-type: none"> - Purchase electricity from various sources and re-sell them to the end users; - Install charging points; and - Provide charging services 	Charge vehicles with charging points and pay service fee

With the increasing popularity of electric cars in the PRC, charging facilities for electric cars have been built in various cities in the PRC, such as Beijing, Shanghai and Xian, the number of charging stations and piles grew from approximately 1,100 to approximately 28,000 at the CAGR of approximately 223.5% from 2010 to 2015. With the emergence of the internet era, it is expected that smart charging piles would be introduced featuring intelligent technology. Network-based charging stations and piles will be more “intelligent”.

The PRC government has emphasised the construction of charging infrastructure and has encouraged new enterprises which distribute and sell electricity to invest in charging facilities. Between 2014 and 2015, the PRC government has issued favourable policies for the development of charging piles, namely 《關於新能源汽車充電設施建設獎勵的通知》(Notice on Rewarding on Construction of Charging Facilities for Clean-energy Vehicles*), 《關於加快推進新能源汽車在交通運輸行業推廣應用的實施意見》(Advice on Accelerating the Application of Clean-energy in Transportation Industry*) and 《電動汽車充電基礎設施發展指南(2015-2020年)》(Guidance on Development of Charging Facilities for Electric

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Vehicles 2015 – 2020*), to (a) increase the number of smart vehicles in China; and (b) increase the number of smart charging facilities available for smart vehicles in China. In light of the favourable policies and regulations in respect of charging facilities in the PRC, according to the CIC Report, the number of charging piles is expected to increase rapidly to approximately 7.8 million in 2021, with a CAGR of approximately 76.2% from 2016 to 2021. As a result, it is expected that the demand for applications, technical services and related hardware or software products for charging stations and piles suppliers will increase in the future.

The following table sets out the market share in terms of sales volume of the major charging point providers in the PRC in 2016:

Rank	Company	Sales volume (number of charging points) ('000)	Market share (%)
1.	許繼電氣有限公司 (Xuji Electronic Company Limited*)	61.0	27.9
2.	深圳市聚電網絡科技有限公司 (Shenzhen Judian Electronic Technology Company Limited*)	24.0	11.0
3.	深圳市科陸電子科技股份有限公司 (Shenzhen Clou Electronic Company Limited*)	18.0	8.2
4.	上海循道新能源科技有限公司 (Shanghai Xundao New Electronic Technology Company Limited*)	17.0	7.8
5.	北京基業昌達新能源技術有限公司 (Beijing Jiyechangda New Electronic Technology Company Limited*)	15.0	6.8
6.	深圳奧特迅電力設備股份有限公司 (Shenzhen Auto-electric Power Company Limited*)	12.0	5.5
7.	長園深瑞繼保自動化有限公司 (Changyuanshen Ruijibao Automation Company Limited*)	10.0	4.6
8.	深圳市金宏威技術有限責任公司 (Shenzhen Golden Highway Technology Company Limited*)	9.0	4.1
9.	浙江萬馬新能源有限公司 (Zhenjiang Wanma New Electric Company Limited*)	9.0	4.1
10.	廣州科立通用電氣公司 (Guangzhou Keli General Electric Company Limited*)	8.0	3.7
	Others	36.0	16.3
	Total	<u>219.0</u>	<u>100.0</u>

* For identification purpose only

INDUSTRY OVERVIEW

According to the CIC Report, there are two main types of electric car charging related software in the PRC, namely (i) battery management system, which is the programme that controls the charging and discharging processes of an electric vehicle's battery; and (ii) charging point management system, which is the programme that enables the owner to monitor and operate the charging points.

In respect of battery management system, it may be developed by smart car manufacturers themselves or developed by battery manufacturers or specialist developers. According to the CIC Report, the battery management system market in the PRC is concentrated, with top five suppliers accounting for approximately half of the market share in 2016 in terms of sales volume.

In respect of charging point management system, it may be developed either by a charging point manufacturer or a third-party developer. According to the CIC Report, the charging point management system market in the PRC is also a concentrated one, with top five suppliers accounting for approximately half of the market share in 2016 in terms of sales volume.

ABOUT CIC

In connection with the Global Offering, we have commissioned CIC, an Independent Third Party, to conduct an analysis of, and to report on electric power selling and management system industry in China's electric power transmission and distribution industry. The report we commissioned, or the CIC Report, has been prepared by CIC independent of our influence. The fee payable to CIC for preparing the CIC Report is RMB730,000, which we consider as market rates. CIC services in consulting, commercial due diligence, strategic consulting, etc.. Its consulting team has been tracking the market trends in industrial, energy, chemical, healthcare, consumer goods, transportation, agriculture, internet, finance, etc., and has relevant market intelligence in the above industries. CIC conducts both primary and secondary research through various resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analysing data from various publicly available data sources, such as National Bureau of Statistics, industry associations, etc..

The CIC Report that we commissioned includes electric power selling and management system industry in China's electric power transmission and distribution industry. All statistics are reliable and are based on information available as of the date of the CIC Report. Other resources of information, including government, industry associations or market participants, may have provided some of the information on which the analysis or data is based.

In compiling and preparing the CIC Report, CIC has adopted the following assumptions: (i) China's economy and industry development is likely to maintain a steady growth in the next decade; (ii) related industry key drivers are likely to drive the growth of the electric power selling and management system industry in China's electric power transmission and distribution industry, such as the increasing demand from electric power distribution companies and continuous investment in maintaining the system in operation; and (iii) there is no any extreme force majeure or industry regulation in which the market may be affected dramatically or fundamentally.

Except as otherwise noted, all the data and forecast in this section are derived from the CIC Report.

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MAJOR REGULATORY RULES RELATED TO THE SOFTWARE INDUSTRY IN CHINA

Policies in relation to foreign investment in software industry

The guidance over foreign investment in various industries was realised through 《外商投資產業指導目錄》 (Guiding Catalogue for Foreign Investment Industries) (“**Guiding Catalogue**”), which was jointly promulgated and amended from time to time by the NDRC and the MOFCOM. According to the latest version of the Guiding Catalogue, which took effect on 28 July 2017, development and manufacture of software products fall into the encouraged category.

Industry policies

In China, software development and related products have been strongly encouraged and supported by the Chinese government. On 24 June 2000, the State Council promulgated 《國務院關於鼓勵軟件產業和集成電路產業發展的若干政策》 (國發[2000]18號) (Several Policies of the State Council on Encouraging the Development of the Software Industry and Integrated Circuit Industry (Guo Fa [2000] No. 18)), which stated clearly the goal to enable the research and development and the production capacity of Chinese software industry to reach or approach advanced international levels by 2010. Strong support was also provided for the development of the software industry by formulating policies regarding investment and financing, tax, industrial technology, export, income distribution, talent attracting and nurturing, procurement, recognition of software enterprises, protection of intellectual property rights, industry organisation and industry administration.

On 28 January 2011, the State Council promulgated 《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的若干政策的通知》 (國發[2011]4號) (Circular of the State Council on Printing and Distributing Policies for Further Encouraging the Development of the Software Industry and the Integrated Circuit Industry (Guo Fa [2011] No. 4)), which pointed out that the software industry is a strategic emerging industry of China and an important foundation for national economic and social informationisation. It also proposed to continue implementing the explicit policies stated in Guo Fa [2000] No. 18, which continuously improve the incentive measures and define policy direction, which are of importance in respects of optimising industrial development environment, enhancing science and technology innovation ability, and increasing the quality and level of industrial development. Meanwhile, strong support would continue to be provided for the development of the software industry by formulating policies regarding tax, investment and financing, research and development, import and export, talent, protection of intellectual property rights and market administration.

On 25 January 2017, NDRC promulgated 《國家發展和改革委員會公告2017年第1號—戰略性新興產業重點產品和服務指導目錄》 (Announcement of NDRC [2017] No.1-Guiding Catalogue of Key Products and Services in Strategic Emerging Industries), clearly confirms emerging software and relevant services industry as a strategic emerging industry.

Accreditation of high and new technology enterprise

According to 《高新技術企業認定管理辦法》 (Measures for the Administration of the Accreditation of High and New Technology Enterprises), which was promulgated by the Ministry of Science and Technology, the MOF and SAT on 29 January 2016 and became effective from 1 January 2016, registered resident enterprises in the PRC (excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan) that fall within the scope of new technology supported by the PRC, and undertake

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operational activities on the basis of its core intellectual properties which converted from the outcome of its continuous research and development, will be qualified as high and new technology enterprises. Enterprises which satisfy certain criteria will be awarded “Certificate of New and High Technology Enterprise” upon validation by the local new and high technology accreditation management authority (hereinafter “**accreditation authority**”) in the jurisdiction of which the said enterprises operate. Such accreditation authority is formed by the science and technology bodies of provinces, autonomous regions, special municipalities under the direct control of the central government, or municipalities listed on the central government planning agenda together with the MOF and the SAT of the same level. The certificate is valid for three years from the date of issue. If the high and new technology enterprise is renamed or has any changes in the conditions related to the certification (for example, mergers, reformation and changes in business etc.), such enterprise should report to the accreditation authority within three months. If the high and new technology enterprise is approved by the accreditation authority, its qualification as high and new technology enterprise will remain unchanged. If the high and new technology enterprise is renamed, a new certification will be issued with the number and validity date remains unchanged. Enterprises that failed to qualify the accreditation criteria will be disqualified from the year in which its name is changed or the condition is changed.

Policies in relation to software development in the electric power industry

Pursuant to 《服務外包產業重點發展領域指導目錄》 (Catalogue for the Guidance of Major Development Areas of Service Outsourcing Industry) promulgated by the MOFCOM and became effective as of 13 June 2016, national economy industries including the electric power industry are encouraged to outsource their software technology services, software research and development services and data processing services. Software technology services include software consultancy, software maintenance, software training, software testing etc.. Software research and development services include research and development of tailor-made softwares according to client requirements, research and development of embedded softwares, research and development of software packages, research and development of system softwares etc.. Data processing services include providing clients with data collection and entry, data storage and retrieval, data processing and other services.

Laws and regulations relating to taxation

Enterprise income tax

Pursuant to 《中華人民共和國企業所得稅法》 (Enterprise Income Tax Law of the PRC) promulgated by the NPC on 16 March 2007 and amended on 24 February 2017 and 《中華人民共和國企業所得稅法實施條例》 (Implementation Regulations for the Enterprise Income Tax Law of the PRC) promulgated by the State Council on 6 December 2007 and became effective as of 1 January 2008, enterprises can be classified into resident enterprises and non-resident enterprises. Enterprises that are established in China in accordance with applicable laws are treated as resident enterprises, and shall be subject to enterprise income tax at a rate of 25% in respect of their income sourced from the PRC and abroad. Enterprises that are established in accordance with the laws of foreign countries (regions) but whose actual or de facto controlling entities are within the PRC are also treated as resident enterprises. A non-resident enterprise that has an establishment or premises within the PRC shall be subject to enterprise income tax at a rate of 25% in respect of its income that is derived from such establishment or premises inside the PRC and that is sourced outside the PRC but is actually connected with the said establishment or premises. A non-resident enterprise that has no establishment or premises within the PRC, or has establishment or premises in the PRC but its income has no actual connection to such establishment or premises, shall be subject to enterprise income tax at a reduced rate of 10% in respect of its income sourced from the PRC.

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On 20 April 2012, the MOF and SAT issued 《關於進一步鼓勵軟件產業和集成電路產業發展企業所得稅政策的通知》(財稅[2012] 27號) (Circular on Income Tax Policies for Further Encouraging the Development of Software Industry and Integrated Circuit Industry (Cai Shui [2012] No. 27)) (“**2012 Circular**”). Pursuant to the 2012 Circular, for eligible software enterprises within the PRC, upon certification, the enterprise income tax shall be exempted for the first and second year and shall be levied thereon at half of the statutory rate of 25% for the third through fifth year thereafter until the expiration of the preferential period which shall be calculated from the profit making year prior to 31 December 2017. For key software enterprises under the National Planning and Arrangement (國家規劃佈局內重點軟件企業) that have not enjoyed the tax exemption preference of the current year, the enterprise income tax shall be levied at the reduced rate of 10%.

Pursuant to 《國務院關於取消和調整一批行政審批項目等事項的決定》(國發[2015]11號) (Decision of the State Council On Cancelling and Adjusting a Batch of Administrative Examination and Approval Items (Guo Fa [2015] No. 11)) promulgated by the State Council on 24 February 2015 and 《國務院關於取消非行政許可審批事項的決定》(國發[2015]27號) (Decision of the State Council On Cancelling Non-administrative Licensing Examination and Approval Items (Guo Fa [2015] No. 27)) promulgated by the State Council on 10 May 2015, the certification systems for software enterprises enjoying preferential tax policies and key software enterprises under the National Plan were cancelled.

Pursuant to 《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) (Circular on Issues Concerning Preferential Enterprise Income Tax Policies for the Software and Integrated Circuit Industries (Cai Shui [2016] No. 49)) (“**2016 Circular**”) jointly promulgated by the MOF, the SAT, the NDRC and the MIIT on 4 May 2016 and became effective as of 1 January 2015, software enterprises entitled to the preferential tax policies as stipulated in 2012 Circular shall, at the time of final settlement each year, file with tax authorities for record in accordance with the requirements of 《國家稅務總局關於發佈〈企業所得稅優惠政策事項辦理辦法〉的公告》(國家稅務總局公告2015年第76號) (Announcement of the State Administration of Taxation on Issuing the Measures for the Handling of Matters concerning Preferential Enterprise Income Tax Policies (Announcement No. 76 [2015] of the State Administration of Taxation)) (“**2015 Announcement**”). After being entitled to the preferential tax policies, the software enterprises shall be referred by the tax authorities to the NDRC and the MIIT for verification. In the case that an enterprise does not meet the corresponding requirements upon verification, the tax authority concerned shall recover the enterprise income tax preferences that such enterprise has enjoyed, and handle such case in accordance with the provisions of the law on the administration of tax levying. The preferential policies for software enterprises in item 46 of 企業所得稅優惠事項備案管理目錄(2015年版) (Record-filing Management Catalogue of Preferential Items in Enterprise Income Tax (amended in 2015)) attached to the 2015 Announcement of the SAT shall cease to be managed as the “record filing management items for regular tax deduction and exemption preferences”; once a software enterprise has fulfilled the record-filing requirement prior to the implementation of 2016 Circular, it shall as well handle the record-filing formalities pursuant to the foregoing Notice in the years when the enterprise is entitled to tax preferences.

According to 《國家稅務總局關於實施高新技術企業所得稅優惠有關問題的通知》(國稅函[2009]203號) (Circular of the State Administration of Taxation on Issues Concerning Implementation of the Preferential Income Tax Treatment for New and High Technology Enterprises (Guo Shui Han[2009] No. 203)), which was issued on 22 April 2009 and became effective from 1 January 2008, and the Administrative Measures for Accreditation of the High and New Technology Enterprises, accredited new and high technology enterprises are eligible to apply for preferential enterprise income tax treatment commencing from the year of approval. Enterprises can apply for tax concession to the competent tax

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authority by providing the certificate of new and high technology enterprise, copy of the certificate and the relevant information. Upon completion of the application procedures, the new and high technology enterprises are able to file tax return at an income tax rate of 15%. According to 《關於進一步鼓勵軟件產業和集成電路產業發展企業所得稅政策的通知》(財稅[2012]27號 (Circular on Income Tax Policies for Further Encouraging the Development of Software Industry and Integrated Circuit Industry (Cai Shui [2012] No. 27)) promulgated on 20 April 2012 by the SAT and MOF, where the preferential policy on enterprise income tax is enjoyed by software enterprises according to this Circular, and other preferential policies on enterprise income tax of the same manner overlap, the enterprise shall select the most preferential one and no superposition shall be allowed.

Business tax

Pursuant to 《中華人民共和國營業稅暫行條例》(Interim Regulations of the PRC on Business Tax), which was revised by the State Council on 10 November 2008 and became effective as of 1 January 2009, as well as the 《中華人民共和國營業稅暫行條例實施細則》(Detailed Rules for the Implementation of the Interim Regulations of the PRC on Business Tax), which was revised by the MOF on 28 October 2011 and became effective as of 1 November 2011, all units and individuals providing taxable services, transferring intangible assets or selling immovable properties within the PRC are subject to a business tax at a rate of 3% to 20%. Among which, taxable services refer to the services within the scope to be filed for taxation purpose under traffic and transportation industry, construction industry, finance and insurance industry, post and communication industry, culture and recreation industry, entertainment industry and servicing industry.

Pursuant to 《關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]36號) (Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in lieu of Business Tax (Cai Shui [2016] No. 36)) promulgated by the MOF and the SAT on 23 March 2016 and became effective as of 1 May 2016, all units and individuals selling services, intangible assets or immovable assets within the territory of the PRC are subject to value-added taxes. The value-added taxes changed from business tax shall be imposed by the SAT. If a taxpayer effects dutiable conducts which are subject to zero tax rate, the taxpayer shall apply for tax refund (exemption) with in-charge taxation authorities in due course. Pursuant to provisions under Appendix I “Sales of services, intangible assets and immovable assets” (《銷售服務、無形資產、不動產注釋》) of such circular, sales of modern services such as research and development and technical services, information technology services (including software-related services like software development, software maintenance and software testing, and information system value-added services involving data processing), certification and consultancy services (including technology consultancy), and sales of intangible assets, within the territory of the PRC, constitute dutiable conducts for the purpose of value-added taxes, and a rate of 6% is applicable to the Group’s research and development and technical services. Pursuant to provisions under Appendix III 《營業稅改徵增值稅試點過渡政策的規定》(Regulations on the transition policy relating to the Pilot Plan for Levying Value Added Tax in Lieu of Business Tax) of such circular, taxpayers are exempt from value-added taxes for the provision of technology transfer, technology development and associated technology consultancy, and technology services. When a taxpayer of the pilot project applies for value-added tax exemption, it shall go through identification at the in-charge provincial science & technology departments of its location with the written contract of technology transfer or research and development, and then, the taxpayer shall report the relevant written contracts and documents on audit opinions issued by in-charge science & technology departments to the in-charge taxation authorities for future inspection.

On 19 November 2017, The Interim Regulations of the PRC on Business Tax and its implementing rules were repealed by the State Council.

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Value added tax

Pursuant to 《中華人民共和國增值稅暫行條例》(Interim Regulation of the PRC on Value-Added Tax) promulgated on 13 December 1993 and implemented on 1 January 1994, and revised on 6 February 2016 and 19 November 2017 by the State Council as well as 《中華人民共和國增值稅暫行條例實施細則》(Implementing Rules for the Interim Regulations of the PRC on Value-Added Tax) revised on 28 October 2011 and implemented on 1 November 2011 by the MOF, all units and individuals engaged in sale of goods, processing services, repairs and replacement services, sales of intangible assets and immovable properties or import of goods within the PRC are subject to value-added tax.

On 13 October 2011, the MOF and the SAT promulgated 《關於軟件產品增值稅政策的通知》(財稅[2011] 100號) (Circular on Value-Added Tax Policy on Software Products (Cai Shui [2011] No. 100)), which provided general value-added taxpayers sell software products developed and produced by them shall be subject to the statutory rate of 17% and the “refund-upon-collection” policy shall be applied to the part value-added tax in excess of 3% of their actual tax burden.

Stamp duty

According to 《中華人民共和國印花稅暫行條例》(Interim Regulations on Stamp Duty of the PRC) promulgated on 6 August 1988 and implemented on 1 October 1988, and revised on 8 January 2011 by the State Council, the entities and individuals which/who having executed and received the evidence specified under this regulation within China are subject to the stamp duty. The evidence subject to such duty includes: (1) sale, processing and contracting, contracting of construction projects, lease of properties, transportation of goods, storage and warehousing, money-lending, insurance of properties, technical contract or evidence of a contractual nature; (2) instruments of properties transfer; (3) sales ledger; (4) rights and licensing; (5) other evidences confirmed to be taxable by the MOF. Taxpayers shall pay the tax amount calculated according to the nature of the taxable evidence based on the proportional tax rate or on a fixed number basis.

Urban maintenance and construction tax and education surcharge

Pursuant to 《國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》(國發[2010]35號) (Circular of the State Council on Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (Guo Fa [2010] No.35)) promulgated and became effective on 18 October 2010 by the State Council, the Interim Regulations on Urban Maintenance and Construction Tax of the PRC and the Interim Provisions on the Collection of Educational Surcharge shall be applicable to foreign-invested enterprises, foreign enterprises and individual foreigners.

Pursuant to 《中華人民共和國城市維護建設稅暫行條例》(Interim Regulations on Urban Maintenance and Construction Tax of the PRC) promulgated on 8 February 1985 and amended on 8 January 2011, all entities and individuals liable to consumption tax, value-added tax and business tax shall pay urban maintenance and construction tax. Payment of urban maintenance and construction tax shall be based on the amount of consumption tax, value-added tax and business tax of which a taxpayer actually pays, and shall be made simultaneously when the latter are paid. The rates of urban maintenance and construction tax shall be as follows: 7% for taxpayers in cities, 5% for taxpayers in counties or towns, and 1% for taxpayers in places other than cities, counties or towns.

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Pursuant to 《徵收教育費附加的暫行規定》 (Interim Provisions on the Collection of Educational Surtax) promulgated on 28 April 1986 and amended on 20 August 2005 and 8 January 2011 respectively by the State Council, all units and individuals who pay consumption tax, value-added tax and business tax shall also be required to pay educational surtax. The educational surtax rate is 3% of the amount of value-added tax, business tax and consumption tax actually paid by each unit or individual, and the educational surtax shall be paid simultaneously with value-added tax, business tax and consumption tax.

Laws and regulations relating to dividend distribution

Pursuant to 《中華人民共和國外資企業法》 (Law on the PRC on Wholly Foreign-owned Enterprises) promulgated and implemented by the NPC on 12 April 1986, and then revised by the Standing Committee of the NPC on 3 September 2016 and became effective on 1 October 2016 and the 《中華人民共和國外資企業法實施細則》 (Implementing Rules for the Law of the PRC on Wholly Foreign-owned Enterprises) amended by the State Council on 19 February 2014, the foreign investor in any wholly foreign-owned enterprise may remit abroad profits lawfully earned from the enterprise and other income and funds lawfully obtained following the liquidation of the enterprise.

Pursuant to 《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》 (Agreement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income) promulgated by the SAT on 21 August 2006, if a Hong Kong resident holds at least 25% equity interest in a Chinese company paying the dividends, the applicable withholding tax rate for any dividends paid by the Chinese company to the Hong Kong resident is 5%, and if a Hong Kong resident holds less than 25% equity interest in a Chinese company, the applicable withholding tax rate for any dividends paid by the Chinese company to the Hong Kong resident is 10%.

Pursuant to 《關於執行稅收協定股息條款有關問題的通知》(國稅函 [2009]81號) (Circular of the State Administration of Taxation on Relevant Issues concerning the Implementation of Dividend Clauses in Tax Treaties (Guo Shui Han [2009] No.81)) promulgated by the SAT and became effective on 20 February 2009, if a fiscal resident of the other party to a tax agreement wants to be taxed at a tax rate specified in the tax agreement for the dividends paid to it by a PRC resident enterprise, all of the following requirements shall be satisfied: (1) the fiscal resident of the other party that receives dividends should be a company as provided in the tax agreement; (2) the fiscal resident of the other party shall directly hold a specified percentage of all the owners' equity and voting shares of the said PRC resident enterprise as per relevant regulations; and (3) the share capital of the PRC resident enterprise directly owned by such fiscal resident of the other party at any time during the twelve months prior to receiving the dividends shall reach a percentage as specified in the tax agreement.

Pursuant to 《關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》(國家稅務總局公告 2015年第60號) (Announcement on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (Announcement No. 60 [2015] of the State Administration of Taxation)) promulgated by the SAT on 27 August 2015 and became effective on 1 November 2015, if a non-resident taxpayer that receives dividends from a PRC resident enterprise wishes to enjoy the preferential tax treatments under the tax agreements, he shall, either on his own accord or through the withholding agent, submit to the tax authority the relevant declaration forms and documents when filing a tax return. In case that the non-resident taxpayer fails to enjoy convention treatment that may be enjoyed, and overpays tax resulting from the failure to enjoy the convention treatment may, either on his own accord or through the withholding agent, request a refund from the in-charge tax authority within a specified period by providing relevant declaration forms and documents, and explanation of the convention treatment enjoyment situation supplemented.

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Laws and regulations relating to establishment, operation and management of wholly foreign-owned enterprises

The establishment, operation and management of corporate entities in China shall be in compliance with 《中華人民共和國公司法》 (Company Law of the People’s Republic of China) (the “**Company Law**”), which was promulgated on 29 December 1993 and became effective from 1 July 1994 by the Standing Committee of the NPC. The Company Law amended on 28 December 2013 also applies to foreign-invested limited liability companies. Where laws on foreign investment have other stipulations, such stipulations shall prevail.

The establishment procedures, verification and approval procedures, registration registered capital requirement, foreign exchange restriction, accounting practices, taxation and labour matters of wholly foreign-owned enterprises are governed by 《中華人民共和國外資企業法》 (Law on the PRC on Wholly Foreign-owned Enterprise), which was lastly amended on 3 September 2016 and the revision became effective on 1 October 2016 and 《中華人民共和國外資企業法實施細則》 (Implementing Rules for the Law of the PRC on Wholly Foreign-owned Enterprise), which was amended on 19 February 2014 and 外商投資企業設立及變更備案管理暫行辦法 (Interim Administrative Measures on Registration of Establishment and Changes for Foreign Invested Enterprises), which was amended and promulgated on 30 July 2017 (the latest revision became effective on 30 July 2017).

Foreign investors and foreign-owned enterprises that conduct investments in the PRC must comply with the Guiding Catalogue. The Guiding Catalogue categorised the industries into encouraged foreign-invested industries, restricted foreign-invested industries and prohibited foreign-invested industries. The Guiding Catalogue is subject to review and update by the Chinese Government from time to time.

Pursuant to 《關於外商投資企業境內投資的暫行規定》 (Interim Provisions on the Investment of Foreign-invested Enterprise in China) implemented on 1 September 2000 and amended on 26 May 2006 and 28 October 2015, foreign investment enterprises may invest in encouraged and permitted projects in the PRC, but shall not invest in prohibited projects.

Pursuant to the Interim Administrative Measures on Registration of Establishment and Changes for Foreign-invested Enterprises and the Guiding Catalogue, the foreign-invested enterprises, whose establishment and changes involve no approval under the special entry management measures stipulated by the State, shall be subject to the administrative measures on registration and within 30 days of the occurrence of the following change events, complete the registration of changes online procedure: (I) changes of basic information of foreign-invested enterprises; (II) changes of basic information of investors of foreign-invested enterprises; (III) changes of equity (share) and cooperation interest; (IV) merger, separation and termination; and (V) external pledge or transfer of property interests of foreign-invested enterprises; the changes of foreign-invested enterprises subject to administrative measures which are subject to the approval under the special entry management measures, shall apply for approval procedures in accordance with relevant foreign investment laws and regulations.

Laws and regulations in relation to foreign exchange management

The management system of foreign exchange in the PRC is stringent and has undergone several profound changes. 《中華人民共和國外匯管理條例》 (Administrative Regulations of the PRC on Foreign Exchange) (the “**Regulations on the Foreign Exchange**”) which was promulgated on 29 January 1996

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and implemented on 1 April 1996, and amended on 5 August 2008 by the State Council, is the existing major regulations on the foreign exchange management and applicable to the incomes and expenditures of the foreign exchange or operating activities for organisations and individuals residing in the PRC as well as the incomes of the foreign exchange or foreign exchange operating activities for organisations and individuals residing abroad. The 《結匯、售匯及付匯管理規定》(Administrative Regulations on Foreign Exchange Settlement, Sales and Payment), which was promulgated by the People's Bank of China on 20 June 1996 and implemented on 1 July 1996, stipulates the matters such as settlement and purchase of and payment in foreign exchange as well as the opening of foreign exchange accounts and the overseas payment for the local institutions, resident individuals, organisations established in the PRC and foreign nationals.

According to the current Regulations on the Foreign Exchange, the PRC government allows foreign exchange to be retained by the domestic organisations and individuals without compulsory sale and settlement, the foreign exchange income from whom can be remitted back to China or deposited outside China according to the regulations. The PRC has realised the exchange for current account in RMB. For the current account transactions with foreign exchanges incomes of the domestic enterprises, they can decide to retain or sell to financial institutions operating foreign exchange settlement and sale business depending on their own requirements. For the foreign exchange payments from current account of the domestic enterprises, enterprises pay by its own foreign exchange with valid certificates or by purchasing foreign exchanges from the financial institution operating settlement and sale of foreign exchange depending on their own requirement. The convertibility of RMB (into foreign currency) for capital account items is not available yet in the PRC and capital account items is still under restriction. Foreign institutions and individuals who directly invest in and issue or trade negotiable securities or derivatives products in the PRC, as well as the domestic institutions and individuals who directly invest overseas and issue or trade the negotiable securities or derivatives products beyond the PRC, shall obtain approval from or make a filing with the relevant competent authority before making the appropriate registrations with the relevant foreign exchange administration authority. The domestic enterprises borrowing foreign debts or guarantee externally shall go through the registration of foreign debts and external guarantee. The retention and sales of foreign income from capital items to the financial institution operating foreign exchange settlement and sale business shall be approved by the foreign exchange regulatory authorities (except for those that no approval is required by the State). The funds for foreign exchange and settlement of capital items shall be used in regard with the purpose approved by the related competent authorities and foreign control authorities.

According to 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 (Circular of the State Administration of Foreign Exchange on Issues Concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special-Purpose Vehicles) (the “**Circular No. 37**”) promulgated and implemented on 4 July 2014 by SAFE replacing the former SAFE Circular 75 effective on 1 November 2005, domestic residents (including domestic institution and domestic resident natural persons) are required to register with the competent local branch of SAFE before they make contribution to any offshore special purpose vehicles with legitimate holdings of domestic or overseas assets or interests. According to 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 (Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies) (the “**Circular No. 13**”) promulgated by the SAFE on 13 February 2015 and became effective from 1 June 2015, 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.

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Pursuant to the 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 (Circular of the State Administration of Foreign Exchange on Reforming the Management Approach Regarding the Settlement of the Foreign Exchange Capital of Foreign-invested Enterprises) (the “**Circular No. 19**”) promulgated by the SAFE on 30 March 2015 and implemented on 1 June 2015, and according to the 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 (Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts) promulgated by the SAFE on 9 June 2016, foreign-invested enterprises can settle foreign exchange capitals on a discretionary basis; the foreign-invested enterprises may, according to its actual business requirements, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution interests (or for which the bank has registered the account-crediting of monetary contribution). For the time being, foreign-invested enterprises are temporarily allowed to settle 100% of their foreign exchange capitals on a discretionary basis. The State Administration of Foreign Exchange may adjust the foregoing percentage as appropriate based on prevailing international balance of payments. In addition, a foreign invested enterprise shall not use foreign exchange receipts under capital account and RMB funds from their settlement for the following purposes: (1) to directly or indirectly cover the expenditure beyond its business scope or the expenditure prohibited by State laws and regulations; (2) to directly or indirectly invest in securities or in financing products except for capital-protected products issued by banks (unless otherwise expressly prescribed) (3) to grant loans to non-affiliated enterprises (unless expressly permitted within its business scope); and (4) to construct or purchase real estate not for its own use (unless it is a real estate enterprise).

Laws and regulations relating to mergers and acquisitions by foreign investors

Pursuant to 《關於外國投資者並購境內企業的規定》(商務部令2009年第6號) (Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors) promulgated by the MOF, the State Assets Supervision and Administration Commission of the State Council, the SAT, the State Administration for Industry and Commerce, the China Securities Regulatory Commission and the SAFE on 8 August 2006 and became effective on 8 September 2006, and amended on 22 June 2009, the following scenarios qualify as an acquisition of a domestic enterprise by a foreign investor: (1) a foreign investor purchases by agreement the equity interests of a domestic enterprise without foreign investment or subscribes for the increased capital of a domestic enterprise without foreign investment, and thus converts the domestic enterprise without foreign investment into a foreign-invested enterprise; (2) a foreign investor establishes a foreign-invested enterprise and use such foreign-invested enterprise to purchase by agreement the assets of a domestic enterprise and operates such assets; (3) a foreign investor purchases by agreement the assets of a domestic enterprise and then contribute such assets as capital to establish a foreign-invested enterprise and operates such assets. Mergers and acquisitions of domestic enterprises by foreign investors to set up foreign-invested enterprises shall be subject to the approval of the approving authority under such provisions and complete the formalities for change of registration or establishment of registration with the registration administrative authority. Pursuant to Guiding Catalogue, where the merger and acquisition of affiliated domestic companies by overseas companies legally formed or controlled by domestic companies, enterprises or natural persons involve the matters relating to the establishment of foreign investment projects and enterprises as well as the modification thereof, the existing provisions shall apply. According to the Interim Administrative Measures on Registration of Establishment and Changes for Foreign Invested Enterprises, where a non-foreign-invested enterprise changes into a foreign-invested enterprise by acquisition, merger, or any other means, falling within the scope of recordation as prescribed in these Measures, it shall undergo the formation recordation formalities.

Regulations in relation to intellectual property

Copyright law

According to 《中華人民共和國著作權法》(Copyright Law of the PRC) which was amended on 26 February 2010 and effective on 1 April 2010, Chinese citizens, legal persons, or other organisations shall, enjoy copyright in their works, whether published or not, which include works of literature, art, natural science, social science, engineering technology and computer software. The copyright owner enjoys various kinds of rights, including right of publication, right of authorship and right of reproduction. Computer software is included in the scope of copyright protection and the protection measures shall be formulated independently by the State Council.

According to 《計算機軟件保護條例》(Regulations on Computer Software Protection), amended on 30 January 2013 and effective on 1 March 2013 by the State Council, Chinese citizens, legal persons or other units enjoy the protection from copyright for software they have developed, regardless of whether it has been published. Copyright covers the right of publication, authorship, right of modification, right of reproduction, distribution rights, rental rights, information network transmission right, translation right, etc.. Software copyright arises from the date of completion of software development. The protection period of the software copyright of a natural person shall be the entire life of the natural person and 50 years after his/her death, ending on December 31 of the 50th year after the death of such natural person. The protection period of the software copyright of a legal person or other units shall be 50 years, ending on December 31 of the 50th year after the first publication of the software. Software which has not been published for 50 years since the date of completion of software development shall not be under protection. For computer software copyright infringement behaviours, the infringer may be requested to bear liabilities to stop infringement, eliminate the implications, express apologies, compensate for any damages.

According to 《計算機軟件著作權登記辦法》(國家版權局令[2002]第1號) (Measures for the Registration of Computer Software Copyright (Order of the National Copyright Administration of the PRC [2002] (No.1)) promulgated and implemented by National Copyright Administration on February 20, 2002, the copyright administration department of the PRC encourages software registration, and emphasise protection for registered software. National Copyright Administration is in charge of the registration and management of software copyrights across the nation, and recognise Copyright Protection Centre of China as the agency for software registration. Applicants can apply for software copyright registration, and registration of exclusive licensing contracts and assignment contracts of software copyright.

Patent law

According to 《中華人民共和國專利法》(Patent Law of the PRC) which was amended on 27 December 2008 and became effective on 1 October 2009, the State Intellectual Property Office is in charge of the administration of patents in the PRC. The patent administration departments of provincial, autonomous region or municipal governments are in charge of the administration of patents within their respective jurisdictions. The Chinese patent system adopts a “first come, first file” principle, which means, where more than one person files a patent application for the same invention respectively, a patent will be granted to the person who files the application first. To be able to register with patent, invention or utility models must meet three criteria: novelty, inventiveness and practicability. A patent is valid for 20 years in the case of an invention and 10 years in the case of utility models and designs, counted from

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the date of application. The patent owner shall pay amount fees commencing from the year when the patent right is granted. While the annual fee is not paid as specified, the patent right shall be terminated before the expiration of duration. A third-party must obtain consent or a proper licence from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent right and the infringer shall, in accordance with applicable regulations, undertake to stop infringement, take remedial actions and/or compensate for any damages.

Trademark law

According to 《中華人民共和國商標法》 (Trademark Law of the PRC) which was amended on 30 August 2013 and became effective from 1 May 2014, the right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to goods for which the use of trademark has been approved. The period of validity of a registered trademark shall be 10 years, counted from the day on which the registration is approved. If necessary, a registrant may renew the registered trademark after the period of validity expires, and the renewal procedure shall be handled within 12 months before the expiration. The period of validity for each renewal of registration shall be 10 years. Using a trademark that is identical with a registered trademark on the same goods without the licensing of the trademark registrant; or using a trademark that is similar to a registered trademark on the same goods, or using a trademark that is identical with or similar to the registered trademark on similar goods without the licensing of the registrant of the registered trademark, which is likely to cause confusion, constitute an infringement upon the exclusive right to use a registered trademark. The infringer shall undertake to stop infringement, take remedial actions, and compensate for any damages, etc.. Such infringer may also be imposed a fine or even be investigated into for the criminal responsibilities.

Domain names

According to 《互聯網域名管理辦法》 (Measures for the Administration of Internet Domain Names) which was promulgated by the former Ministry of Information Industry (now known as the MIIT) on 24 August 2017 and became effective on 1 November 2017, the MIIT is in charge of the administration of PRC internet domain names. The registration of domain names follows the principle of “first come, first served”. A domain name registration institution shall, in the process of providing domain name registration services, require the applicant for the registration of a domain name to provide authentic, accurate and complete identity information on the holder of the domain name and other domain name registration information. The applicants will become the holder of such domain names upon completion of the registration procedure.

Regulations in relation to labour and social security

Labour laws

Pursuant to 《中華人民共和國勞動法》 (Labour Law of the PRC) promulgated by the Standing Committee of the NPC on 5 July 1994 and amended on 27 August 2009, 《中華人民共和國勞動合同法》 (Labour Contract Law of the PRC) promulgated on 28 December 2012 and became effective on 1 July 2013 and the 《中華人民共和國勞動合同法實施條例》 (Implementing Regulations of the Labour Contract Law of the PRC) promulgated by the State Council and became effective on 18 September 2008, labour contract employment is a basic employment form of enterprises in the PRC. A written employment contract must be signed within one month after the date on which the employer engages the employee.

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Social insurance and housing provident fund

According to 《中華人民共和國社會保險法》 (Social Insurance Law of the PRC) promulgated by the Standing Committee of the NPC on 28 October 2010 and became effective on 1 July 2011, 《社會保險費徵繳暫行條例》 (Interim Regulations on Lerying Social Insurance Premiums) promulgated and implemented by the State Council on 22 January 1999, 《社會保險登記管理暫行辦法》 (Interim Provisions on Administration of Social Insurance Registration) promulgated and implemented by the former Ministry of Labour and Social Security (now known as Ministry of Human Resources and Social Security) on 19 March 1999, 《工傷保險條例》 (Regulations for Labour Injury Insurance) issued by the State Council on 27 April 2003 and amended on 20 December 2010, 《失業保險條例》 (Regulations for Unemployment Insurance) promulgated and implemented by the State Council on 22 January 1999 and 《企業職工生育保險試行辦法》 (Provisional Measures for Maternity of Employees Insurance) promulgated on 14 December 1994 by the former Ministry of Labour and Social Security (now known as Ministry of Human Resources and Social Security) and implemented on 1 January 1995, employers are required to pay social insurance premiums for their employees on time and in full, including premiums for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance and maternity leave insurance and housing provident fund. Under the circumstance where an employer fails to pay social insurance premiums on time and in full, it might be subject to a rectification order by competent authorities and a daily late fee at the rate of 0.0005% of the outstanding amount from the due date might be imposed. In addition, if it fails to make such payment in full amount within the prescribed time limit, a fine in the amount of one to three times of the outstanding payment might be imposed by relevant administration departments.

Pursuant to 《住房公積金管理條例》 (Administration Regulations on the Housing Provident Fund), which was amended by the State Council and become effective on 24 March 2002, employers are required to pay housing provident funds for their employees on time and in full. If the employer is overdue in the payment or underpays, the fund administration centre shall order the employer to pay up within the prescribed time limit. If the employer still fails to pay up as scheduled, the fund administration centre may apply to the court for enforcement of the unpaid amount.

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BUSINESS DEVELOPMENT OF OUR GROUP

We are an information technology services provider in China's electric power industry. Our product/service offerings primarily include electric power related software systems, technical services and hardware. We mainly provide our software systems and technical services to electric power grid companies and electric power retailing companies in the electric power transmission and distribution industry in the PRC. Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company on 5 July 2016. The operating subsidiary of our Company is Along Grid, a company established in the PRC in May 2011.

The following sets out our business development milestones:

- 2011
 - Establishment of Along Grid for the promotion of WPLC related products and services, and the sale of Software Systems for electric power grid companies in the PRC
 - Commenced cooperation with IMPG Group and Tianjin TEDA with the provision of Software Systems in relation to electric power selling and management
- 2012
 - Commenced to develop our ARSP, a platform comprising different software components with different functions ranging from data collection and monitoring, customer services, billing and payment as well as administration in relation to electric power selling and management
 - Commenced provision of Technical Services in relation to electric power selling and management to SGCC Group
- 2014
 - Commenced provision of Technical Services in relation to electric power exchange to SGCC Group
- 2016
 - Commenced cooperation with a university which specialises in the electric power industry in the PRC to perform research on smart charging related technologies

(i) Prior to the establishment of our Group

Mr. Wang, Mr. Li and Mr. Cao acquainted with each other in 2001 when they were colleagues working together in a company listed on the Main Board of the Stock Exchange which was then principally engaged in the provision of system integration services, internet and communications related services, restaurant operation and property investment. Mr. Wang acquainted with Mr. Wu in 2008 when Mr. Wang was then the chief executive officer and an executive director of Pizu Group Holdings Limited (previously known as China Electric Power Technology Holdings Limited) (stock code: 8053) (“Pizu”, together with its subsidiaries, the “Pizu Group”). Mr. Wang, Mr. Wu and Mr. Li, each a Founding Shareholder, were appointed as executive directors of Pizu in November 2007, January 2010 and February 2010, respectively. The Pizu Group was engaged in, among others, the sale of software and provision of information technology services regarding electric power selling and management for the electric power grid companies, in particular SGCC Group, during the relevant time. After Pizu ceased to engage in such business in 2011, Mr. Wu, Mr. Li and Mr. Wang left the employment of the Pizu Group. For further details of, among others, the Founding Shareholders' involvement in Pizu, please refer to the paragraph headed “Prior business involvement of our Founding Shareholders in the electric power software and information service business” below.

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As our Founding Shareholders were confident in the general outlook of the electric power industry in the PRC, in particular for the application of WPLC, a communication technology which connects and enables data transmission between various electronic devices via power cables in local electric power grid companies, they founded Aige Reide, the then holding company of Along Grid, in December 2009 to engage in the research and development of WPLC.

(ii) Establishment of Along Grid

There has been a continuous trend of marketisation in the electric power industry and reduction of the market monopoly of SGCC Group and CSG, which was driven by a number of policy initiatives of the PRC government, including but not limited to, (i) the electricity price reform in 2009; and (ii) the spin-off of certain ancillary businesses of SGCC Group and CSG in 2011. Furthermore, driven by a number of policies issued by various provincial level government authorities, the local electric power grid companies have commenced to adopt information technologies. Our Founding Shareholders believe that with the increasing emphasis on automation, controllability and management efficiency of electric power transmission and distribution in the PRC, there should be a continuous demand from the electric power industry for information technology services and the relevant upgrading and maintenance services.

As an attempt to explore the business opportunities among the local electric power grid companies in the PRC, our Founding Shareholders established Along Grid through Aige Reide in May 2011. During the initial development stage of Along Grid, we mainly targeted at customers with higher gross profit margin, namely IMPG Group and other local electric power grid companies, which have continuous demand for electric power selling and management related Software Systems and Technical Services.

Since July 2011, Along Grid had also engaged in the business of provision of WPLC related products/services. Our Founding Shareholders believed that the WPLC technology developed by Aige Reide could be commercialised and be promoted to the market; and they considered that Along Grid could also be used as the platform for the promotion of WPLC. Therefore, Aige Reide subscribed for additional capital in Along Grid through the transfer of WPLC to Along Grid in August 2011. WPLC related assets were later sold to Aipu Zhicheng in March 2015 as its potential application in smart city and Internet of Things related communication was subsequently discovered. For further details, please refer to the sub-paragraph headed “Along Grid” under the sub-paragraph headed “Subsidiaries of our Company” under the paragraph headed “Further information about our Group” in Appendix IV to this prospectus.

Since the establishment of Along Grid, its overall business corporate strategies planning and development have been primarily overseen by Mr. Wang. Mr. Wu Hongyuan, our Chief Executive Officer and an executive Director, was responsible for the operation and management of Along Grid since April 2014. For further details regarding the experience of Mr. Wang and Mr. Wu Hongyuan, please refer to the section headed “Directors and senior management” in this prospectus.

Mr. Wu had been the general manager of Along Grid since its establishment in 2011 and until being succeeded to by Mr. Wu Hongyuan in April 2014. Each of Mr. Li and Mr. Cao has not been involved in the operation of Along Grid since its establishment.

During the initial stage of development of Along Grid, its employees were mostly transferred from its holding company, Aige Reide, or hired through public recruitment process. The majority of the staff taking up the major roles in respect of research and development and customer service, procurement and sales and marketing were transferred to Along Grid from Aige Reide.

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In 2012, we commenced cooperation with SGCC Group for the provision of Technical Services in relation to the electric power selling and management to SGCC Group, which started to generate revenue for us since August 2012 and until the disposal of the Disposal Businesses to Chinasoft Beijing in December 2012. Since November 2014, Along Grid has commenced to provide Technical Services in relation to electric power exchange to SGCC Group.

To complement our sale of Software Systems and provision of Technical Services, we also sell hardware, including automated teller machines for payment of electricity bills and meter readers, to our customers from time to time.

(iii) The Disposal

(1) Background of the Disposal

Our Founding Shareholders noted that the Technical Services in relation to electric power selling and management to SGCC Group disproportionately occupied a large amount of human resources and financial resources of Along Grid, which had hindered the development of other aspects of the operation of Along Grid, such as research and development, and the development of our business with local electric power grid companies and electric power retailing companies. On the other hand, it was expected that the market size of electric power selling and management system for IMPG Group and other local electric power companies in terms of revenue would increase after 2012. Thus, the management of Along Grid considered that it would be beneficial to focus its resources on the provision of Software Systems to customers which would invest more in electric power selling and management system in the future, e.g. IMPG Group.

As a result, Along Grid entered into a sale and purchase agreement (the “**Disposal Agreement**”) with Chinasoft Beijing, a subsidiary of Chinasoft International Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 354) (“**Chinasoft International**”), on 27 December 2012, pursuant to which Along Grid disposed (the “**Disposal**”) of the Disposal Businesses at the consideration of RMB190 million, which was satisfied (i) by way of issue of 64,588,274 shares of Chinasoft International with the value of RMB100,000,000 to our Founding Shareholders, amounting to approximately 3.76% of its issued shares as at the date of signing of the Disposal Agreement; and (2) by way of RMB90,000,000 cash payable to Along Grid in phases. The business and assets disposed of included (1) the Disposal Businesses and the relevant operation systems and process, intellectual property rights and non-patent technology; and (2) 207 team members (the “**Disposal Staff**”) of Along Grid who were responsible for the Disposal Businesses.

As at the Latest Practicable Date, our Founding Shareholders were collectively indirectly interested in approximately 0.23% of the issued shares of Chinasoft International.

The consideration under the Disposal Agreement was determined after arm’s length negotiations between Along Grid and Chinasoft Beijing with reference to, among others, the following factors:

1. the future operating growth potential and profitability of the Disposal Businesses and the extensive experience of the Disposal Staff. The Disposal Staff was gradually built up through external recruitment together with subsequent internal training by Along Grid’s own technical team in 2012. So far as our Directors are aware, as a software systems

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solution provider specialising in software maintenance and upgrading services, Chinasoft Beijing intended to develop a long-term business relationship with SGCC Group in the field of information technology software maintenance and upgrading services business as it considered that there was a sound market potential and profitability of the Disposal Businesses. As Chinasoft Beijing previously did not have the relevant experience and human resources in this area, the acquisition of such business from Along Grid would allow them to enter this market quickly;

2. the valuation of other listed companies engaging in the same or similar business;
3. the transfer of eight intellectual property rights and non-patent technology valued at approximately RMB60.0 million;
4. Along Grid's Undertaking, of which the details are stated below, which rendered less competition that would be faced by Chinasoft Beijing when entering such market;
5. that Along Grid shall procure the entering into of the relevant services contracts between Chinasoft Beijing and SGCC Group; and
6. the accounts receivable of approximately RMB30.0 million from SGCC Group to Along Grid shall be deemed to be settled.

(2) Use of proceeds from the Disposal

Along Grid had deployed the cash proceeds received from the Disposal primarily for the following purposes:

1. RMB30,000,000 was distributed as cash dividends to its shareholder (i.e. Aige Reide) for its development of the new business, such as establishing Aipu Zhicheng. For details of the business of, among others, Aige Reide and Aipu Zhicheng, please refer to the paragraph headed "Relationship with Founding Shareholders" in the section headed "Relationship with our Founding Shareholders" in this prospectus; and
2. RMB60,000,000 was used to replenish the working capital of Along Grid to support, including but not limited to, (i) its continuous business development, such as the hiring of staff and purchase of plant and equipment; and (ii) its research and development activities etc..

As at the Latest Practicable Date, Along Grid had fully utilised the cash proceeds received from the Disposal.

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(3) The Along Grid's Undertaking

As stated above, Along Grid undertook not to compete with Chinasoft Beijing in the business of electric power selling and management related Software Systems and Technical Services for SGCC Group. Pursuant to the Along Grid's Undertaking, Along Grid is subject to the following negative covenants:

- (i) Along Grid and the associate thereof shall not employ the Disposal Staff during the tenure of the Disposal Staff with Chinasoft Beijing and within three years from the end of the relevant employment contracts;
- (ii) Along Grid and the associates thereof shall no longer carry out electric power selling and management related Software Systems and Technical Services for SGCC Group; and
- (iii) Along Grid shall obtain waiver from Chinasoft Beijing in writing in case where Along Grid intends to act in contrary to the above negative covenants.

The Along Grid's Undertaking is not subject to any timeframe and is expected to continue to bind Along Grid for an unlimited period of time.

Subsequent to completion of the Disposal, our business with SGCC Group relates to electric power exchange only which differs from the Disposal Businesses. Our PRC Legal Advisers are of the view that our provision of Technical Services in relation to electric power exchange to SGCC Group does not breach the Along Grid's Undertaking.

In addition, our Directors confirm that Chinasoft Beijing has been aware of our provision of Technical Services in relation to electric power exchange to SGCC Group and we have never received any objection or claim from Chinasoft Beijing that we have breached any provisions of the Along Grid's Undertaking. As such, the Sole Sponsor concurs with our PRC Legal Advisers' view that our provision of Technical Services in relation to electric power exchange to SGCC Group had not breached the Along Grid's Undertaking.

(4) Business of our Group after the Disposal

Pursuant to the Along Grid's Undertaking, since completion of the Disposal and up to the Latest Practicable Date, we had not carried out any electric power selling and management related Software Systems and Technical Services business for SGCC Group. Upon completion of the Disposal in January 2013, given the Disposal Staff were transferred to Chinasoft Beijing, our number of staff decreased from approximately 300 to 100.

In November 2014, we commenced providing Technical Services in relation to electric power exchange to SGCC Group. The technical staff for providing such services was recruited by us and internal trainings were provided to them, which consists of approximately 92 technical staff as at 31 August 2017. During the Track Record Period, our Group only provided Technical Services in relation to electric power exchange and sold hardware to SGCC Group.

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Technical Services in relation to electric power exchange are different from Technical Services in relation to electric power selling and management, which our Group provided to SGCC Group after and before the Disposal respectively. The former refers to the provision of outsourcing services by providing technical staff to SGCC Group in relation to its electric power exchange platform, a platform for the trading of electricity among various market participants in the electric power industry emerged with the introduction of the New Reform in March 2015, while the latter refers to the provision of outsourcing services by providing technical staff to SGCC Group in relation to its electric power selling and management systems. For further details for the comparison between the Technical Services provided by our Group to SGCC Group before and after the Disposal, please refer to the paragraph headed “Summary of product/service offerings of relevant entities” below.

We believe that our provision of Technical Services in relation to electric power exchange would not be substituted by Chinasoft Beijing’s service offerings related to electric power selling and management. Our Directors believe Chinasoft Beijing does not possess the proprietary know-how in the provision of electric power exchange related product/service offerings as the Disposal Staff only possesses knowledge in the electric power selling and management related services. In addition, to the best of our Directors’ knowledge and belief, the target customers of Chinasoft Beijing, namely institutions and companies engaged in finance, telecommunications, Internet and transportation, differ from our target customers, namely local electric power grid companies and electric power retailing companies, and the provision of product/service offerings related to electric power selling and management is not the principal business of Chinasoft Beijing.

Considering the wide geographical coverage of SGCC Group, we believe that the relevant experience in the field of electric power exchange accumulated from our provision of the Technical Services in relation to electric power exchange to SGCC Group has better prepared our Group to capture the market opportunity brought by the New Reform, since our Software Systems and Technical Services in relation to electric power exchange can be applied to exchange platforms for various market participants in the electric power industry in the PRC, such as electric power generation companies, electric power grid companies and electricity users. The number of local electric power grid companies and electric power retailing companies is expected to increase in the coming years as a result of the promulgation of the New Reform, which would also drive the demand for relevant Software Systems and Technical Services.

The products/services offering of our Group since the Disposal and until the Latest Practicable Date are set out the paragraph headed “Summary of product/service offerings of relevant entities” below.

(v) *Dividends declared and distribution payable to Aige Reide*

During the year ended 31 March 2015, Along Grid declared a dividend of approximately RMB65.46 million payable to Aige Reide and approximately RMB20.40 million of such distribution was used to set off the amount due from Aige Reide subsequently. As a result, the distribution payable to Aige Reide as at 31 March 2015 was approximately RMB45.06 million.

During the year ended 31 March 2016, Along Grid paid a dividend of approximately RMB30.00 million in cash to Aige Reide and Along Grid declared a dividend of approximately RMB12.50 million payable to Aige Reide. As a result, the distribution payable to Aige Reide as at 31 March 2016 was approximately RMB27.56 million.

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During the year ended 31 March 2017, approximately RMB27.56 million of the distribution payable to Aige Reide was used to set off the amount due from Aige Reide. As a result, the distribution payable to Aige Reide as at 31 March 2017 was nil.

PRIOR BUSINESS INVOLVEMENT OF OUR FOUNDING SHAREHOLDERS IN THE ELECTRIC POWER SOFTWARE AND INFORMATION SERVICE BUSINESS

Prior to the founding of our Group, Mr. Wang was the chief executive officer and an executive director of Pizu and was responsible for the management and operation of the Pizu Group. Mr. Wang was also a substantial shareholder of Pizu, being interested in approximately 19.6% of the issued shares of Pizu as at 10 December 2007. With a view to capture the business opportunities that could be brought by the SG186 project, a project proposed by SGCC Group in 2006 to be implemented throughout its provincial operating companies and subsidiaries to build an integrated corporate information technology system, Pizu acquired interests in a group of companies (“**PRC Company Group**”) with the operating company being 北京普華雅龍科技有限公司 (Beijing Puhua Yalong Technology Company Limited*) (the “**PRC Company**”) in November 2008. The PRC Company was principally engaged in the development and provision of electricity-related software (being software systems in relation to electric power selling and management) for management of electricity supply, production, real-time electricity related data collection and monitoring, electric power selling and management analysis, customer service, and sale and billing to provincial operating companies of SGCC Group (the “**Power Related Software Business**”).

After the acquisition of the Power Related Software Business by Pizu, Mr. Wu, being the then general manager of the PRC Company, was appointed as an executive director of Pizu in January 2010, whereby he was responsible for the operation of sale of software and provision of information technology services regarding electric power selling and management for the electric power grid companies. Mr. Li joined the Pizu Group in November 2008 as senior consultant, and he was appointed as an executive director and chairman of the board of directors of Pizu in February 2010, whereby he was responsible for the overall business corporate strategic planning and management of the Pizu Group. Mr. Li was interested in approximately 5.59% of the issued shares of Pizu as at 8 February 2010.

After completion of the acquisition of the PRC Company Group by the Pizu Group, the PRC Company Group had been making losses for the two years ended 31 March 2011 due to the following reasons:

- (1) global financial turmoil occurred since September 2008, which caused a slowdown in the growth of electricity usage in the PRC and less demand for software and information technology services regarding electric power selling and management for the electric power grid companies; and
- (2) SG186 project had been implemented by phase by the end of 2009, which led to a (i) significant decrease in the investment in software and provision of information technology services regarding electric power selling and management by SGCC Group in 2010; and (ii) switch of SGCC Group’s cooperation model into developing software regarding electric power selling and management in house.

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Furthermore, the Pizu Group had suffered from continuous deterioration of the liquidity position at the relevant time. The Pizu Group intended to re-focus its resources on the development and provision of general software, internet learning card and school network integration services to customers in schools and entities in the education sector of the PRC. In or around November 2010, the Pizu Group had commenced negotiating with independent third party on the possibility of the disposal of the PRC Company Group.

Although Mr. Wang, Mr. Wu and Mr. Li were executive directors of Pizu at the relevant time, given the changes in the operating environment and after the discussion with other directors of Pizu in May 2011, the Pizu Group disposed of the PRC Company Group to an Independent Third Party at a consideration of approximately HK\$35.0 million. The consideration was determined taking into account, among others: (i) the unaudited consolidated net asset value of the PRC Company Group at the relevant time of approximately RMB23.7 million; and (ii) the loss-making position of the PRC Company Group for the two years ended 31 March 2011. As confirmed by Mr. Wang, Mr. Wu and Mr. Li, they believe that the disposal of the PRC Company Group was in the best interests of the Pizu Group as the disposal improved the liquidity and working capital of the Pizu Group. After the disposal of the PRC Company Group, the Pizu Group ceased engaging in the Power Related Software Business.

Subsequent to the disposal of the PRC Company Group, Mr. Wu and Mr. Li resigned as executive directors of Pizu in July 2011 and December 2012, respectively. In April 2012, Mr. Wang was re-designated as a non-executive director of Pizu, and Mr. Wang ceased to participate in the day-to-day management of the Pizu Group, but was only involved in decision making with other directors of Pizu as a member of its board of directors, and he eventually resigned as a non-executive director of Pizu in December 2012. As confirmed by Mr. Wang and Mr. Li, they ceased to hold any shares in Pizu since September 2011 and July 2012 respectively.

The reason that Mr. Wang, Mr. Wu and Mr. Li, being the executive directors of Pizu did not expand the Power Related Software Business is that it was considered by the board of directors of Pizu at the relevant time that continuous engagement in the electric power industry by shifting Pizu's customer base to electric power companies other than SGCC Group would be too costly for Pizu and hence, not in the interests of Pizu and its shareholders as a whole as the original business idea of Pizu was to ride on the business opportunities that could be brought by the SG186 projects from SGCC Group in order to achieve an apical growth in the company's business.

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SUMMARY OF PRODUCT/SERVICE OFFERINGS OF RELEVANT ENTITIES

The Power Related Software Business of Pizu prior to completion of the disposal of the PRC Company Group is different from the product/service offerings of our Group in terms of, among others, its product/services offerings, technologies and target customers. A summary of (i) the Power Related Software Business; and (ii) our product/service offerings prior to and after completion of the Disposal are set out below:

	May 2011 The PRC Company The Power Related Software Business prior to completion of the disposal of the PRC Company Group	May 2011-January 2013 Our product/service offerings prior to completion of the Disposal		Our Group	January 2013 onwards Our product/service offerings after completion of the Disposal	
		SGCC Group	All customers other than SGCC Group		SGCC Group	All customers other than SGCC Group
Relevant time	Prior to May 2011	Between May 2011 and January 2013			Since January 2013	
Major type of product/ service offerings	<p>Development and provision of electric power selling and management related software (mainly for SGCC Group's SG 186 project)</p> <p>To the best of our Directors' knowledge and belief, the software and related maintenance and technical services provided by the PRC Company was related to electric power selling and management and for the purposes to enhance the electric power selling and management of SGCC Group to implement the SG186 project.</p>	<p>Technical Services in relation to electric power selling and management since August 2012</p> <p>From May 2011 to July 2012, Along Grid had not generated revenue from its business relations with SGCC Group. SGCC Group has switched to in house development of software regarding electric power selling and management since 2011, rendering the decrease in demand for engaging external parties to develop the relevant software.</p>	<p>As an information technology services provider in China's electric power industry</p> <ul style="list-style-type: none"> • Electric power selling and management related Software Systems since the establishment of Along Grid; and • Electric power selling and management related Technical Services since the establishment of Along Grid. 	<p>Technical Services in relation to electric power exchange since November 2014</p>	<p>As an information technology services provider in the China's electric power industry</p> <ul style="list-style-type: none"> • Electric power selling and management related Software Systems since the establishment of Along Grid; and • Electric power selling and management related Technical Services since the establishment of Along Grid. 	

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	May 2011 The PRC Company The Power Related Software Business prior to completion of the disposal of the PRC Company Group	May 2011-January 2013 Our product/service offerings prior to completion of the Disposal		Our Group	January 2013 onwards Our product/service offerings after completion of the Disposal
		SGCC Group	All customers other than SGCC Group	SGCC Group	All customers other than SGCC Group
Functions and features	<p>The software provided were required to meet the specifications and requirements of SGCC Group under its SG186 project.</p> <p>Examples of the functions and features of the software provided include:</p> <ol style="list-style-type: none"> 1. electricity meter reading; 2. electricity bill calculation and accounting; and 3. customers service. 	<p>We sent our technical staff to SGCC Group in relation to electric power selling and management in order to meet the specifications and requirements of SGCC Group on project by project basis.</p> <p>Examples of the services provided included:</p> <ol style="list-style-type: none"> 1. construction of SGCC Group's online customer services website; and 2. development of the selling and management inspection monitoring software. 	<p>The Software Systems and Technical Services in relation to electric power selling and management provided are required to meet the specific requirements of the customers.</p> <p>Examples of the Software Systems provided included:</p> <ol style="list-style-type: none"> 1. data collection and monitoring; 2. customer services; 3. billing and payment; 4. electric power selling and management administration; and 5. energy saving. <p>Technical Services provided primarily included the maintenance and upgrading services in relation to the Software Systems provided by our Group.</p>	<p>We sent our technical staff to SGCC Group according to the request of SGCC Group.</p> <p>The Technical Services in relation to electric power exchange are required to meet the specifications and requirements of electric power exchange system developed by SGCC Group.</p> <p>Examples of the Technical Services provided included:</p> <ol style="list-style-type: none"> 1. development of the relevant software systems for the electric power exchange platform of SGCC Group, including but not limited to integration and installation of the electricity market technology supporting platform; and 2. local technical support services, including but not limited to the installation, testing and implementation of the software systems for the electric power exchange platform in various electric power exchange centres on provincial level. <p>However, given the nature of the Technical Services, the actual Technical Services provided depended on the actual requirements by SGCC Group at the relevant time.</p>	<p>The Software Systems and Technical Services in relation to electric power selling and management provided are required to meet the specific requirements of the customers. <i>(Note 1)</i></p> <p>Examples of the Software Systems provided included:</p> <ol style="list-style-type: none"> 1. data collection and monitoring; 2. customer services; 3. billing and payment; 4. electric power selling and management administration; 5. energy saving and demand side management; and 6. mobile applications. <p>Technical Services provided primarily included the maintenance and upgrading services in relation to the Software Systems provided by our Group.</p>
Technologies	<p>The electric power selling and management related software provided by the PRC Company was confined to the development of software which were intended to be operated on and under the SoTower platform used by SGCC Group.</p>	<p>Expertise of our electric power selling and management technical staff, which can be assembled through internal training and external recruitment.</p>	<p>Principally based on the ARSP platform developed by our Group since 2012. With the availability of software components on the ARSP, our Group has been able to provide customised software systems to meet our customers' requirements.</p>	<p>Expertise of our electric power exchange technical staff, which can be assembled through internal training and external recruitment.</p>	<p>Principally based on the ARSP platform developed by our Group since 2012. With the availability of software systems on the ARSP, our Group has been able to provide customised software to meet our customers' requirements. <i>(Note 1)</i></p>

HISTORY AND DEVELOPMENT AND REORGANISATION

	May 2011 The PRC Company The Power Related Software Business prior to completion of the disposal of the PRC Company Group	May 2011-January 2013 Our product/service offerings prior to completion of the Disposal		Our Group	January 2013 onwards Our product/service offerings after completion of the Disposal
	SGCC Group	All customers other than SGCC Group	SGCC Group	All customers other than SGCC Group	
Customers/users	SGCC Group	We provided outsourcing services by providing technical staff in relation to electric power selling and management to SGCC Group.	We provided electric power selling and management related Software Systems and Technical Services to IMPG Group, Tianjin TEDA and other local electric power grid companies.	We provide Technical Services in relation to electric power exchange to SGCC Group.	We provide electric power selling and management related Software Systems and Technical Services to IMPG Group Tianjin TEDA and other local electric power grid companies. <i>(Note 1)</i>
Key management	Key management included Mr. Wang, Mr. Wu, Mr. Li and Mr. Wu Hongyuan <i>(Notes 2, 3, 4 and 5)</i> Members of our senior management team, namely (i) Mr. Li Yanmin served as the deputy general manager; (ii) Mr. Zhou Hao served as a JAVA software engineer and manager of research and development; and (iii) Mr. Xu Tong served as senior consultant, of the PRC Company prior to their joining of our Group between 2011 and 2012.	The overall business corporate strategies planning and development has been primarily overseen by Mr. Wang, while Mr. Wu was the general manager of Along Grid. At the time of the Disposal, there were 207 team members of Along Grid who were responsible for the Disposal Businesses.	The overall business corporate strategies planning and development of Along Grid remained to be overseen by Mr. Wang, while Mr. Wu remained as the general manager of Along Grid until being succeeded to by Mr. Wu Hongyuan in April 2017. Senior management members of our Group are responsible for the management and operations of different major departments of our Group.		

Note:

1. In view of the emergence of electric power retailing companies after the New Reform which have more standardised requirements for their electric power selling and management, we have devised Huidianyun by utilising software components in our ARSP. Huidianyun offers cloud-based services in relation to electric power selling and management specifically designed for small to medium size electric power retailing companies and was officially launched in November 2017. Compared to the Software Systems in relation to electric power selling and management for IMPG Group and other local electric power grid companies which are tailor-made according to their specific requirements, Huidianyun focuses on the provision of cloud-based services with a set of standardised functions which are essential to the operation of electric power retailing companies, such as collection and monitoring of electricity usage and online electricity sale. For further details, please refer to the sub-paragraph headed “Enhancing and expanding product/service offerings” under the paragraph headed “Our strategies” in the section headed “Business” in this prospectus.
2. Mr. Wang, as chief executive officer and executive director of Pizu, was responsible for the management and operation of the Pizu Group.
3. Mr. Wu, as general manager and executive director of Pizu, was responsible for the operation of sale of software and provision of information technology services for the electric power grid companies.
4. Mr. Li, as senior consultant and executive director of Pizu, was responsible for the overall business corporate strategic planning and management of the Pizu Group.
5. Mr. Wu Hongyuan, another executive Director, served as the deputy general manager of the PRC Company from 2007 until joining our Group in 2011.

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REORGANISATION

In preparation for Listing, the companies comprising our Group underwent the Reorganisation, pursuant to which our Company became the holding company of our Group. Further information in relation to the (i) date of establishment and development; (ii) principal business activities; and (iii) major shareholding changes and the reasons of changes, of each member of our Group is set out in the sub-paragraph headed “4. Subsidiaries of our Company” under the paragraph headed “Further information about our Group” in Appendix IV to this prospectus. The main steps of our Reorganisation were:

(1) Incorporation of four holding companies in the BVI

Each of Mr. Wang, Mr. Wu, Mr. Li and Mr. Cao established an investment holding company in the BVI, details of which are set out below:

Name of company	Incorporation date	Date of allotment of share(s)	Name of shareholder	Percentage of shareholding interest as at the Latest Practicable Date
Smart East	27 November 2015	6 April 2016	Mr. Wang	100%
Union Sino	4 January 2016	7 April 2016	Mr. Wu	100%
Main Wealth	18 March 2016	7 April 2016	Mr. Li	100%
Long Eagle	26 November 2015	7 April 2016	Mr. Cao	100%

(2) Incorporation of First Magic and acquisition of Citimax Development

On 9 June 2015, First Magic was incorporated in the BVI as an investment holding company with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1.00 each. On the date of incorporation, First Magic allotted and issued one share, fully paid at par, to Mr. Wang.

On 26 January 2016, Citimax Development was incorporated in Hong Kong as an investment holding company. On the date of incorporation, Citimax Development allotted and issued one fully paid share of HK\$1.00 to an initial subscriber, Acota Services Limited, being an Independent Third Party.

On 6 April 2016, First Magic acquired 1 share representing the entire issued share capital of Citimax Development from Acota Services Limited at par pursuant to an instrument of transfer dated 6 April 2016.

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(3) Transfer of 25% equity interests in Along Grid from Aige Reide to Citimax Development

Pursuant to an equity transfer agreement dated 3 June 2016 and entered into between Aige Reide as vendor and Citimax Development as purchaser, Citimax Development acquired 25% of the entire equity interest in Along Grid from Aige Reide at a consideration of RMB13,000,000, which was determined with reference to the net asset value of Along Grid of approximately RMB52,000,000 as at 31 December 2015, according to an independent valuation. Upon completion of the transfer, Along Grid became a sino-foreign equity joint venture held as to 25% by Citimax Development and 75% by Aige Reide.

Such transfer was approved by the Beijing Haidian District Commission of Commerce on 17 June 2016 and the People's Government of Beijing Municipality on 24 June 2016. The transfer was properly and legally completed with the registration of such transfer being completed with Beijing Administration Bureau for Industry and Commerce on 28 June 2016 as advised by our PRC Legal Advisers.

(4) Incorporation of our Company

On 5 July 2016, our Company was incorporated under the Companies Law as an exempted company with an authorised share capital of HK\$10,000,000 divided into 1,000,000,000 Shares of HK\$0.01 each. On 5 July 2016, our Company allotted and issued one Share, fully paid at par, to the initial subscriber, an Independent Third Party, which was transferred to Smart East on the same day. Our Company also allotted and issued 2,499 Shares, fully paid at par, to Smart East on the same day. As at 5 July 2016, the shareholding structure of our Company was set out below:

Name of Shareholder	Number of Share(s) held	%
Smart East	2,500	100
Total:	2,500	100

(5) Acquisition of First Magic by our Company

On 11 July 2016, Mr. Wang transferred the one share of First Magic to our Company at the consideration of US\$1.00 and First Magic became a wholly-owned subsidiary of our Company as at 11 July 2016. The transfer was legally completed and settled. As at 11 July 2016 and up to the Latest Practicable Date, the shareholding structure of First Magic was set out below:

Name of shareholder	Number of share(s) held	%
Our Company	1	100
Total:	1	100

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(6) Allotment of Shares of our Company to Long Eagle, Main Wealth and Union Sino

On 15 July 2016, our Company allotted and issued 2,500 Shares, fully-paid at par, to each of Long Eagle, Main Wealth and Union Sino and was legally completed and settled. As at 15 July 2016, the shareholding structure of our Company was set out below:

Name of Shareholder	Number of Share(s) held	%
Smart East	2,500	25
Union Sino	2,500	25
Main Wealth	2,500	25
Long Eagle	2,500	25
Total:	<u>10,000</u>	<u>100</u>

(7) Transfer of the remaining equity interests in Along Grid from Aige Reide to Citimax Development

Pursuant to an equity transfer agreement dated 15 July 2016 and entered into between Aige Reide, as vendor, and Citimax Development, as purchaser, Citimax Development acquired 75% of the entire equity interest in Along Grid from Aige Reide at a consideration of RMB39,000,000, which was determined with reference to the net assets value of Along Grid of approximately RMB52,000,000 as at 31 December 2015, according to the independent valuation.

Such transfer was approved by the Beijing Haidian District Commission of Commerce on 22 July 2016 and the People's Government of Beijing Municipality on 25 July 2016. The transfer was properly and legally completed with the registration of such transfer being completed with Beijing Administration Bureau for Industry and Commerce on 5 August 2016 as advised by our PRC Legal Advisers, and Along Grid became a wholly-owned subsidiary of our Company as at 5 August 2016. Upon completion of the transfer, Along Grid became a wholly foreign owned enterprise.

The steps and the transfer mentioned above were properly and legally completed and settled. Our Reorganisation was completed on 5 August 2016.

General

As advised by our PRC Legal Advisers, all necessary approvals, permits and licences as required under the PRC law (including the SAFE Circular No. 37 registration which was completed on 16 May 2016) in relation to our Reorganisation have been obtained by our Group. According to Article 11 of the M&A Rules, where a PRC enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a Domestic Enterprise which is related to or connected with it/him, approval from MOFCOM is required. As advised by our PRC Legal Advisers, as Mr. Wang and Mr. Cao are Hong Kong residents, they are not considered as domestic natural persons under Article 11 of the M&A Rules. Article 11 of the M&A Rules does not apply to our Reorganisation.

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PRE-IPO INVESTMENT

On 7 September 2016, a subscription agreement (the “**Pre-IPO Investment Agreement**”) was entered into between Mr. Wang, Mr. Wu, Mr. Li, Mr. Cao, Smart East, Union Sino, Main Wealth, Long Eagle (collectively, being the Founding Shareholders), Chance Talent, an Independent Third Party, and our Company, pursuant to which Chance Talent agreed to conditionally subscribe for 1,878 Shares for a total cash consideration of HK\$30,000,000 (the “**Pre-IPO Investment**”). On 19 October 2017, the parties to the Pre-IPO Investment Agreement entered into an amendment deed (the “**Amendment Deed**”) to the Pre-IPO Investment Agreement and the Shareholders Agreement to extend the deadline by which the Qualified IPO (as defined below) shall take place from within 12 months (i.e. 23 September 2017) to 18 months (i.e. 23 March 2018) from the completion date of the Pre-IPO Investment.

On 23 September 2016, our Company allotted and issued 1,878 Shares to Chance Talent, and the shareholding structure of our Company was as follows:

Name of Shareholder	Number of Approximate	
	Share(s) held	%
Smart East	2,500	21.047
Union Sino	2,500	21.047
Main Wealth	2,500	21.047
Long Eagle	2,500	21.047
Chance Talent	1,878	15.812
Total:	11,878	100.000

Details of the Pre-IPO Investment

Set out below are the details of the Pre-IPO Investment:

Name of the Pre-IPO investor	Chance Talent
Date of the Pre-IPO Investment Agreement	7 September 2016
Number of Shares issued by our Company	1,878
Amount of consideration paid to our Company	HK\$30,000,000
Payment date and completion date of the Pre-IPO Investment	23 September 2016

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Cost per Share paid	Approximately HK\$15,974.441 per Share before the Capitalisation Issue Approximately HK\$0.666 per Share after the Capitalisation Issue
Discount to the Offer Price	Approximately 20.7% to the Offer Price assuming the Offer Price of HK\$0.84, being the mid-point of the Offer Price range
Use of proceeds	The proceeds of the Pre-IPO Investment will be used for the development of any smart power-related businesses which has not been fully utilised as at the Latest Practicable Date
Strategic benefits to our Company	Our Company believes that the Pre-IPO Investment broadens our Group's capital base
Shareholding of Chance Talent in our Company immediately prior to the Global Offering	15.812%
Basis of determining the consideration paid by Chance Talent	The consideration was determined with reference to earnings and growth prospects of our Group and based on arm's length negotiation among the parties

Other major terms

Qualified IPO and put option	<p>In the event that our Company cannot achieve the Qualified IPO (as defined below), Chance Talent shall have the put option right. For further details, please refer to the paragraph headed "Put option (the "Put Option")" below.</p> <p>Our Company and the Founding Shareholders shall use their best efforts to effect a Qualified IPO.</p> <p>Qualified IPO means an initial public offering which shall have taken place within 18 months (i.e. until 23 March 2018) (as extended from 12 months (i.e. until 23 September 2017) by the Amendment Deed) from the completion date of the Pre-IPO Investment with a minimum Pre-IPO Valuation (as defined below) being a price-earnings ratio of eight times.</p> <p>Pre-IPO Valuation means the value of our Company calculated based on the profits attributable to shareholders in the audited financial statements of our Company for the financial year immediately preceding the date of the Qualified IPO.</p>
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Board representative	<p>Our Board shall appoint a qualified candidate nominated by Chance Talent as a non-executive Director, who shall resign immediately prior to the consummation of the Qualified IPO. Such contractual right of Chance Talent to nominate a director shall cease immediately upon Listing.</p> <p>Pursuant to the above, Mr. Yang Qi has been appointed as our non-executive Director and it is expected that he will resign immediately prior to Listing.</p>
Undertakings of the Company and the Founding Shareholders	<p>From completion of the Pre-IPO Investment, for so long as Chance Talent or its affiliates holds any Shares and up to completion of the Qualified IPO, our Company and the Founding Shareholders shall procure the following, including, among others:</p> <ul style="list-style-type: none">(a) our Company and the Founding Shareholders to make all necessary filings and/or disclosure of interests in connection with the transactions contemplated under the Pre-IPO Investment Agreement;(b) our Company to cause each member of our Group to comply, in all material respects, with all applicable laws; and(c) none of the Founding Shareholders shall carry on, engage, invest, participate, or be economically interested in or otherwise involved, directly or indirectly, in any business which is of the same or similar form or manner to the business of our Group and/or any activities or business which is or is likely to be in direct or indirect competition with that of any members of our Group (including without limitation the principal business of our Group) from time to time carried on by any member of our Group within two years from the effective date of his/her resignation or termination of employment with our Group.
Dividend	<p>Our Company shall not make any payment for the dividend declared and due in the amount of RMB27,560,000 until the occurrence of the Qualified IPO, unless such payment is to set-off against the amounts due from related parties as at 31 March 2016 in the aggregate amount of RMB55,180,000.</p> <p>As at the Latest Practicable Date, such payment for the dividend had been set off against the amounts due from related parties as at 31 March 2016 as set out in the Appendix I to this prospectus.</p>

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Lock-up

Chance Talent has undertaken to us that it shall not at any time during the 18-month period (i.e. until 23 March 2018) (as extended from 12-month period (i.e. until 23 September 2017) by the Amendment Deed) from the completion date of the Pre-IPO Investment, sell, transfer or otherwise dispose or enter into any discussion or negotiation for the sale, transfer or disposal (including without limitation by the creation of any option or the entering into of any agreement for the subsequent transfer or disposal) of or create any encumbrance over the Shares held by it or any interest therein to or in favour of (where applicable) any individual(s) or entity(ies) without the written consent from us, except (i) in the event of exercising its rights in relation to the Put Option; and (ii) in case of any breach of the Pre-IPO Investment Agreement or the Shareholders' Agreement by a party other than Chance Talent.

On the completion date of the Pre-IPO Investment (i.e. 23 September 2016), our Company, the Founding Shareholders and Chance Talent entered into a shareholders' agreement (as supplemented by the (i) Supplemental Agreement (as defined below) dated 27 April 2017; and (ii) Amendment Deed dated 19 October 2017) (the "**Shareholders' Agreement**"). Set out below are the major terms of the Shareholders' Agreement:

Put option (the "**Put Option**")

Upon occurrence of any of the following events, Chance Talent shall have such right to require the Founding Shareholders to purchase all the Shares held by Chance Talent in cash:

- (a) the Qualified IPO does not occur within 18 months (i.e. until 23 March 2018) (as extended from 12 months (i.e. until 23 September 2017) by the Amendment Deed) from the completion date of the Pre-IPO Investment;
- (b) any of the financial figures of our Group for the three years ended 31 March 2016 stated in this prospectus deviates from those provided to Chance Talent by more than 10%;
- (c) any encumbrance is created over any of the shares of either one or both companies the shares of which are listed on the Main Board of the Stock Exchange (the "**Hong Kong Listed Companies**") or any part thereof which are indirectly held by Mr. Wang, Mr. Cao, Mr. Li and/or Mr. Wu;

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- (d) the aggregate market value (which is calculated based on the average closing price of the shares of the Hong Kong Listed Companies for the last five consecutive trading days) of the shares of the Hong Kong Listed Companies indirectly held by Mr. Wang, Mr. Cao, Mr. Li and/or Mr. Wu is lower than HK\$90,000,000;
- (e) any representation or warranty given by our Company or any Founding Shareholders in any of the Pre-IPO Investment Agreement or the Shareholders' Agreement is inaccurate, misleading or untrue;
- (f) any payment of dividends by our Company, unless such payment is set-off against the amounts due from related parties as at 31 March 2016 as set out in the Appendix I to this prospectus; or
- (g) our Company or any Founding Shareholder does not perform or comply with any obligation, undertaking or provision under any of the Pre-IPO Investment Agreement or the Shareholders' Agreement.

All these rights shall be terminated upon Listing.

Transfer of Shares

Chance Talent shall have first right of refusal over transfer or disposal of any Shares by any of the Founding Shareholders.

Chance Talent shall have the tag-along right over transfer or disposal of any Shares by any of the Founding Shareholders.

Pre-emption

Our Company shall not, and each of the Founding Shareholders shall exercise its rights as a Shareholder so as to ensure that our Company shall not, issue any Share to any person unless the prior written consent of Chance Talent is obtained.

All these rights shall be terminated upon Listing.

The Shares held by Chance Talent will not be considered as part of the public float since Chance Talent will be one of our Substantial Shareholders and therefore a core connected person of our Company upon Listing.

HISTORY AND DEVELOPMENT AND REORGANISATION

Pursuant to the Shareholders' Agreement, Chance Talent is expressly allowed to waive its rights under any provision of the Shareholders' Agreement upon a written instrument signed by the parties to the Shareholders' Agreement waiving such provision ("**Release of Obligations Clause**"). A supplemental agreement to the Shareholders' Agreement was executed by our Company, the Founding Shareholders and Chance Talent on 27 April 2017 ("**Supplemental Agreement**"), pursuant to which Chance Talent agreed to waive its right to require our Founding Shareholders to purchase all the Shares held by Chance Talent under the circumstances as provided under the sub-paragraphs (b) to (g) under the paragraph headed "Put Option" above. As advised by our Hong Kong Legal Counsel, the Release of Obligations Clause confers on Chance Talent the power of waiver of any provision of the Shareholders' Agreement. Accordingly, a variation of the Shareholders' Agreement pursuant to the Release of Obligations Clause would not require a new contract, nor would the variation effected by the Supplemental Agreement constitutes a new contract between the parties to the Shareholders' Agreement.

Pursuant to the Pre-IPO Investment Agreement and the Shareholders' Agreement, parties to the Pre-IPO Investment Agreement and the Shareholders' Agreement are allowed to negotiate in good faith regarding amendments as set forth. Our Founding Shareholders, the Company and Chance Talent entered into the Amendment Deed on 19 October 2017, pursuant to which it was mutually agreed that the (i) deadline of Qualified IPO was extended from 12 months from completion of the Pre-IPO Investment (i.e. 23 September 2017) to 18 months from completion of the Pre-IPO Investment (i.e. 23 March 2018); and (ii) due and punctual performance and observance by our Company and our Founding Shareholders under the Pre-IPO Investment Agreement and the Shareholders' Agreement shall be secured by a charge over security account (collectively, the "**Amendments**"). As advised by our Hong Kong Legal Counsel, (i) variation effected by the Amendment Deed would not constitute a new contract between the parties to the (a) Pre-Investment Agreement; and (b) Shareholders' Agreement; and (ii) completion of the Pre-IPO Investment would not be affected by the Amendments.

The Sole Sponsor confirms that the Pre-IPO Investment detailed above is in compliance with applicable Stock Exchange guidance, namely, the interim guidance of the Stock Exchange HKEx-GL29-12 on pre-IPO investments dated 13 October 2010 (and updated on 16 January 2012), the Stock Exchange guidance letter HKEx-GL43-12 and HKEx-GL44-12.

Information regarding Chance Talent

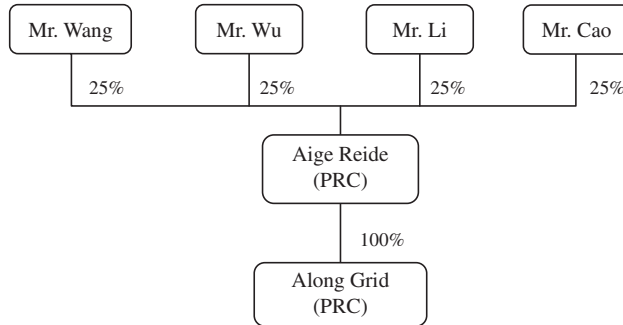
Chance Talent is a limited liability company incorporated in the BVI and is a wholly-owned subsidiary of CCBI Investments. To the best of our Directors' knowledge and belief, Chance Talent is an investment holding company that invests in companies including companies whose shares are listed on the Main Board of the Stock Exchange. CCBI Investments is an investment company incorporated in the Cayman Islands. The ultimate beneficial owner of CCBI Investments is China Construction Bank Corporation, a company listed on the Main Board of the Stock Exchange (stock code: 939) and the Shanghai Stock Exchange (stock code: 601939). The Directors confirmed, save as the Pre-IPO Investment as disclosed above, Chance Talent is an Independent Third Party.

As one of our resources of funding primarily consists of shareholders' paid-in capital, our Directors are of the view that having Chance Talent joining our Group assists our Group in increasing funding for our daily operations.

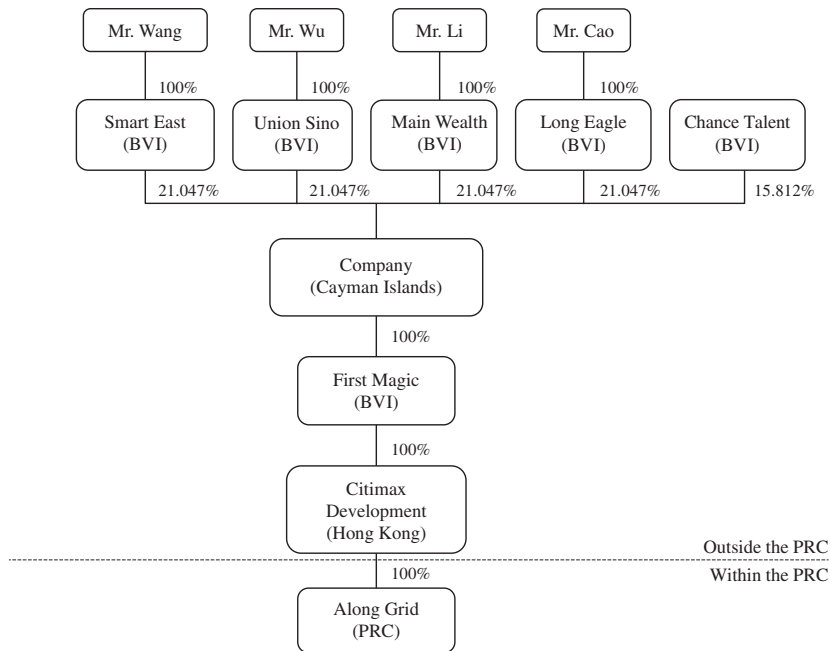
HISTORY AND DEVELOPMENT AND REORGANISATION

Group structure

The following chart sets out the structure of our Group immediately before our Reorganisation:

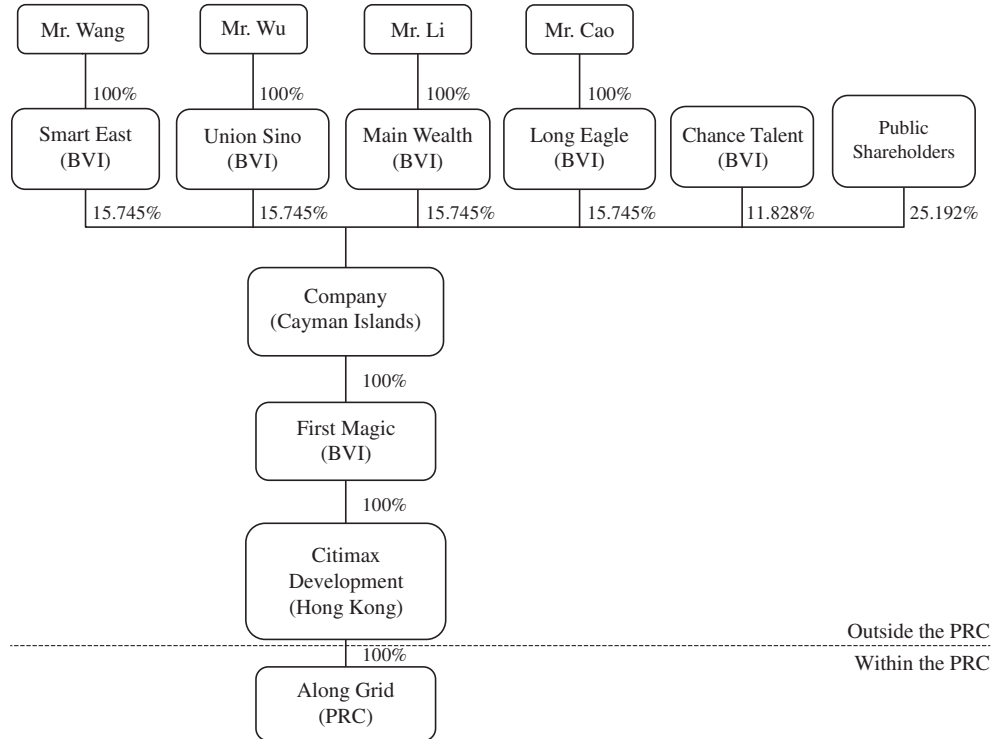


The following chart sets out the structure of our Group immediately after completion of our Reorganisation, Pre-IPO Investment and prior to the Capitalisation Issue and the Global Offering:



HISTORY AND DEVELOPMENT AND REORGANISATION

The following chart sets out the structure of our Group immediately after completion of our Reorganisation, Pre-IPO Investment, the Capitalisation Issue and the Global Offering (assuming no Shares are allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme):



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OVERVIEW

We are an information technology service provider in China's electric power industry. Our product/service offerings primarily include: electric power related software systems, technical services and hardware.

In the value chain of China's electric power industry, electric power, in general, is generated by electric power generation companies and then being transmitted and distributed to electricity users by electric power grid companies and electric power retailing companies. With the introduction of the New Reform by the State Council in March 2015 which promotes the electric power exchange platforms to facilitate trading of electricity for various market participants in the electric power industry, electricity generated by electric power generation companies can be bought and sold among the aforesaid market participants. Our main business is the provision of Software Systems and Technical Services to various electric power grid companies and electric power retailing companies. We mainly provide Software Systems for data collection and monitoring, customers services, billing and payment as well as administration in relation to electric power selling and management, which enable better and more efficient management and control of electric power distribution, and the relevant Technical Services to electric power grid companies and electric power retailing companies. We also provide Technical Services in relation to electric power exchange by providing technical staff to SGCC Group in relation to its electric power exchange platform.

During the Track Record Period, our product/service offerings and major customers/users are as follows:

Business segment	Major product/service offerings	Major customers/users
Sale of Software Systems	Design and implementation of tailor-made software systems in relation to electric power selling and management, with major functions including data collection and monitoring, customer services, billing and payment as well as administration in relation to electric power selling and management	– IMPG Group and other local electric power grid companies
Provision of Technical Services	Technical Services in relation to electric power selling and management: maintenance and upgrading services for software systems in relation to electric power selling and management	– IMPG Group and other local electric power grid companies
	Technical Services in relation to electric power exchange: outsourcing services by providing technical staff to customer in relation to the electric power exchange platform of the customer	– SGCC Group
Sale of hardware	Hardware in relation to electric power selling and management for payment of electricity bills and meter readers	– Electric power grid companies

Note: We disposed of certain businesses to Chinasoft Beijing in 2012 and undertook that we should no longer carry out services in relation to electric power selling and management for SGCC Group. For details, please refer to the sub-sub-paragraph headed “(3) The Along Grid's Undertaking” under the sub-paragraph headed “(iii) The Disposal” under paragraph headed “Business development of our Group” in the section headed “History and development and Reorganisation” in this prospectus.

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In view of the emergence of electric power retailing companies after the New Reform, we have developed cloud-based services (namely Huidianyun) in relation to electric power selling and management specifically designed for small to medium size electric power retailing companies and such services was officially launched in November 2017.

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

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Sale of Software Systems	7,733	16.1	21,108	35.7	42,835	48.9	8,586	42.3	14,590	53.4
Provision of Technical Services	33,174	69.3	32,370	54.8	25,619	29.4	8,966	44.1	10,455	38.3
Sale of hardware	6,992	14.6	5,569	9.4	18,884	21.7	2,760	13.6	2,264	8.3
Total	47,899	100.0	59,047	100.0	87,338	100.0	20,312	100.0	27,309	100.0

During the Track Record Period, our five largest customers include IMPG Group, SGCC Group, Tianjin TEDA and electric power software systems solution providers. During the Track Record Period, we only provided outsourcing services to SGCC Group by providing technical staff to SGCC Group in relation to its electric power exchange platform for the trading of electricity.

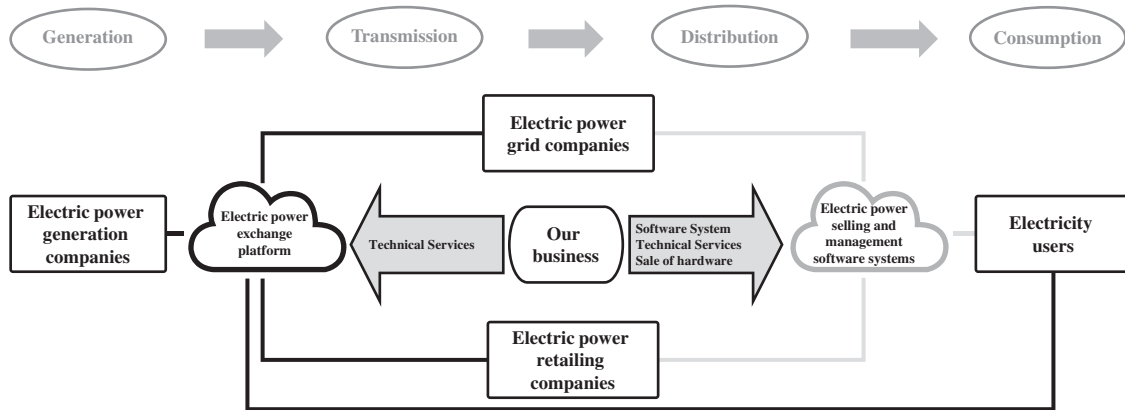
During the Track Record Period, our five largest suppliers included suppliers of equipment and ancillary software for use in our Software Systems and also suppliers of components and equipment for our sale of hardware.

General outlook of the electric power industry in the PRC and demand of our product/service offerings

In the value chain of China's electric power industry, electric power, in general, is generated by electric power generation companies and then transmitted and distributed to electricity users by electric power grid companies and electric power retailing companies. With the introduction of the New Reform by the State Council in March 2015 which promotes the electric power exchange platforms to facilitate the trading of electricity among various market participants in the electric power industry, electricity generated by electric power generation companies can be bought and sold among the aforesaid market

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participants. The following diagram shows a general outlook of China's electric power industry, major participants and their respective positions in the industry, as well as our product/service offerings provided to these participants:



Notes:

1. Users of electric power selling and management software systems mainly include electric power grid companies, electric power retailing companies and electricity users. Currently, our services provided include sale of Software Systems, provision of Technical Services and sale of hardware.
2. Users of electric power exchange platform mainly include electric power generation companies, electric power grid companies, electric power retailing companies and electricity users. Currently, our services provided include provision of Technical Services to SGCC Group.

(i) Increase of investment in electric power transmission and distribution industry

With the world's largest population base and a considerable economy by nominal GDP, China has become the country with the largest consumption of electric power. With the constantly growing demand for electric power in the PRC, the Chinese government, according to the CIC Report, has been increasing its annual investment to optimise China's electric power transmission and distribution industry. According to 《配電網建設改造行動計劃(2015–2020)》 (Construction and Optimisation Plan of Distribution System of Electric Power Grid) issued by the National Energy Administration of the PRC, the Chinese government will continue to increase its investment in the electric power transmission and distribution industry, with the expected total investment for the five year-period between 2016 and 2020 achieving approximately 31.4% higher than that of the preceding five-year period between 2011 and 2015.

(ii) Adoption of information technology in the electric power transmission and distribution industry in the PRC and demand for Software Systems and Technical Services in relation to electric power selling and management

As set out in the diagram above, electric power is transmitted and distributed to electricity users by electric power grid companies, such as SGCC Group, IMPG Group, and the electric power retailing companies in China. The electric power industry is a capital intensive industry which requires operation safety and reliability. This creates an increase in demand for information technologies to support operation and management of electric power transmission and distribution in China.

Adoption of information technology is considered as one of the important means to bring out efficiency, improve the commercial viability and service standards in China's electric power transmission and distribution industry. According to the CIC Report, adoption of the use of information technology in China's electric power transmission and distribution industry has led to an increasing demand for (i) electric power software systems and corresponding services which include (a) the provision of electric power selling and management system for automated meter reading and demand side management for the use of electricity, such as our Software Systems; and (b) maintenance, upgrading and technical support services supporting electric power selling and management system, such as our Technical Services; and (ii) relevant hardware which allows data collection and storage.

According to the CIC Report, SGCC Group and CSG, being the only two cross-provincial electric power grid companies, started to promote the adoption of information technology earlier than other local electric power grid companies (including IMPG Group). With IMPG Group only started to adopt information technology in or around 2011, its related investment continued to increase during the period of 2012 to 2016 at a CAGR of approximately 13.2%.

(iii) Emergence of electric power retailing companies — demand for Software Systems and Technical Services in relation to electric power selling and management and electric power exchange

In March 2015, the New Reform was introduced by the State Council in order to (i) accelerate the electricity pricing reform and standardise the pricing system; (ii) accelerate the construction of electric power exchange platform; (iii) improve the market-based transaction mechanism; (iv) implement the reform of electric power selling; and (v) encourage state-owned electric power grid companies to operate as market-oriented enterprises to achieve efficient use of electricity. With the implementation of the New Reform, private companies have been encouraged to be established as electric power retailing companies in China's electric power transmission and distribution industry to purchase and re-sell electricity. Software systems in relation to electric power selling and management are designed to meter the consumption of electricity and to manage the use of electricity. As most of the electric power retailing companies are newly established and the software systems in relation to electric power selling and management can be regarded as a necessity for the operation of electric power retailing companies, it is expected that Software Systems and Technical Services in relation to electric power selling and management would be required by electric power retailing companies.

Electric power exchange platform is promoted as a result of the New Reform to facilitate trading of electricity for various market participants in the electric power industry, such as electric power grid companies, electric power retailing companies and electricity users. As the New Reform encourages the construction of electric power exchange platform, it is also expected that demand for Software Systems and Technical Services in relation to electric power exchange will grow.

According to the CIC Report, the first electric power retailing company was established in January 2015, and the total number of registered electric power retailing companies increased dramatically within 2016.

COMPETITIVE STRENGTHS

We believe that the following strengths have contributed to our success and will continue to enable us to compete effectively and capitalise on future growth opportunities:

We provide tailor-made Software Systems and Technical Services to our customers

Based on our experience and know-how in the electric power selling and management system industry, we have developed a development platform, namely ARSP. For further details regarding ARSP, please refer to the sub-sub-paragraph headed “ARSP” under the sub-paragraph headed “Sale of Software Systems” under the paragraph headed “Our products and services” below. It comprises different developed software components with different kinds of functions covering the entire electric power selling and management value chain, ranging from data collection and monitoring, customer services, billing and payment as well as administration in relation to electric power selling and management. As per the request of our customers, we select the appropriate developed software components from our ARSP to develop Software Systems which comprise a mixture of software features. Our ARSP is from time to time enhanced and upgraded to incorporate new functions developed through our continued research and development or with software components developed during the course of provision of our services or products to our customers.

Through combining different kinds of software components available on our ARSP, we are able to design and implement tailor-made different kinds of software systems to provide Software Systems to our customers in accordance with their specific requirements. Our industry experience and on-going technical training for our staff also enable us to provide quality and tailor-made Technical Services to our customers to cater for the specific needs of our customers from time to time. In addition, our know-how and industry knowledge accumulated over time enhance our ability in sourcing and provision of hardware to our customers.

We are an experienced provider of Software Systems and Technical Services with core technological expertise

As our management team has accumulated over 10 years of experience in the electric power selling and management system industry in the PRC, our Group has provided Software Systems to state-owned electric power grid companies in the PRC, including SGCC Group, since the establishment of Along Grid. However, pursuant to the Along Grid’s Undertaking, we shall no longer carry out any business of the provision of Software Systems or Technical Services for, among others, the electric power selling and management for SGCC Group. As a result, we have not engaged in the sale of Software Systems and Technical Services in relation to electric power selling and management to SGCC Group since the execution of the Along Grid’s Undertaking. During the Track Record Period, we focused on providing Software Systems to IMPG Group and other local electric power grid companies, and had also provided Technical Services for IMPG Group and Technical Services for electric power exchange for SGCC Group.

We have accumulated expertise and experience in the business of providing Software Systems and Technical Services for IMPG Group and Technical Services for SGCC Group since the establishment of Along Grid. We have long-term customer relationship and understanding of their operations as well as their business development requirements.

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According to the CIC Report, the electric power selling and management system industry in China was highly concentrated, with the top seven companies accounting for approximately 95.0% in aggregate in terms of revenue in 2016. We are one of those top seven companies. Furthermore, according to the CIC Report, our Group is one of the few electric power selling and management system companies in the PRC that has accumulated sufficient experience with local electric power grid companies, which allows us to cater for the potential demand of electric power grid companies.

We are able to retain and secure recurring customers, and focus on providing quality after-sale services which allow us to retain recurring customers and enhance our competitive edge

We are able to retain and secure recurring customers in providing Software Systems and Technical Services. Members of each of SGCC Group and IMPG Group were our major customers during the Track Record Period. We have been providing Software Systems and Technical Services for IMPG Group and Technical Services for SGCC Group since 2012 and 2011, respectively. SGCC Group and IMPG Group spread across different areas in China (other than the west Inner Mongolia and Southern China) and the west Inner Mongolia respectively, and they are operated and managed by different independent entities. During the Track Record Period, we entered into project agreements with various members of each of SGCC Group and IMPG Group. Members of each of SGCC Group and IMPG Group are state-owned corporations that are principally engaged in the electric power transmission, transformation and distribution in the PRC (except for the regions covered by the China Southern Grid which is operated by CSG) and the west Inner Mongolia, respectively. As electric power transmission, transformation and distribution in the PRC used to be highly regulated, there were two major state-owned cross-provincial electric power grid companies, namely SGCC Group and CSG in the PRC, operating the SGCC Grid and the China Southern Grid respectively, while IMPG Group is a state-owned provincial local electric power grid company in the west Inner Mongolia. Given such nature of the electric power transmission and distribution industry in the PRC, there was a limited number of electric power grid companies in the PRC.

As our Software Systems and Technical Services are tailor-made to satisfy the requirements of each of our customers, we believe we have a competitive edge over our competitors. In particular, we have the advantage in providing upgrades of our software systems for our customers as we have better understanding of the original Software Systems that we have provided to our existing customers. During the execution of the project for our provision of Technical Services, our technical staff may temporarily station at our customers' office to facilitate the provision of services and attend to customers' requests and deal with ad hoc situations. As at 31 August 2017, we had approximately 124 regional technical staff stationed at different areas in the PRC to provide after-sale technical support to our customers. We believe the close working relationship of our regional technical staff with our customers is also functional in cultivating their understanding of our customers' requirements which in turn enable us to obtain further work from such customers. Further details of the stationing arrangement of our regional technical staff are set out in the paragraph headed "Sales and marketing" below. Most of our customers had engaged us for multiple projects since our founding in 2011.

We have an experienced research and development and customer service department with customisation capabilities and we have strong research and development capabilities

Our research and development and customer service department customises and develops Software Systems to address our customers' specific requirements. Through utilising different kinds of software components on our ARSP and with our continual research and development efforts, our research and development and customer service department develops different kinds of software components on our

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ARSP and develops software systems that suit our customers' requirements. As at the Latest Practicable Date, more than 80% of our staff engaged in design and engineering work, most of them had relevant qualification in computer science. We have accumulated experience in the sale of Software Systems and the provision of Technical Services as well as customisation capabilities.

In view of the emergence of electric power retailing companies after the New Reform which have more standardised requirements for their electric power selling and management, we have devised Huidianyun by utilising software components in our ARSP. Huidianyun offers cloud-based services in relation to electric power selling and management specifically designed for small to medium size electric power retailing companies and was officially launched in November 2017. Compared to our Software Systems in relation to electric power selling and management for IMPG Group and other local electric power grid companies which are tailor-made according to their specific requirements, Huidianyun focuses on the provision of cloud-based services with a set of standardised functions which are essential to the operation of electric power retailing companies, such as collection and monitoring of electricity usage and online electricity sale. For further details, please refer to the sub-paragraph headed "Enhancing and expanding product/service offerings" under the paragraph headed "Our strategies" in this section.

As at the Latest Practicable Date, we had registered 30 computer software copyrights in the PRC. Details of which are set out in the sub-paragraph headed "11. Intellectual property rights of our Group" under the paragraph headed "Further information about the business of our Company" in Appendix IV to this prospectus. The functions of the software that we usually include in the Software Systems provided to our customers during the Track Record Period range from monitoring of power distribution to electricity consumers' usage data collection. Further details of the functions of our software copyrights are set out in the sub-paragraph headed "Sale of Software Systems" under the paragraph headed "Our products and services" below.

In May 2013, Along Grid, our operating subsidiary, was accredited as "Software Enterprise" (軟件企業) by 北京市經濟和信息化委員會 (Beijing Municipal Commission of Economy and Information Technology*). In November 2013, Along Grid was also accredited as "High and New Technology Enterprise" (高新科技企業) by 北京市科學技術委員會 (Beijing Municipal Science and Technology Committee*), 北京市財政局 (Beijing Municipal Finance Bureau*), 北京市國家稅務局 (Beijing Municipal Office, State Administration of Taxation) and 北京市地方稅務局 (Beijing Local Taxation Bureau) for a valid period of three years. In December 2016, Along Grid was accredited as "High and New Technology Enterprise" (高新科技企業) by the same authorities for a valid period of three years. In July 2015, Along Grid was also accredited as "Zhongguancun High Technology Enterprise" (中關村高新技術企業) by 中關村科技園區管理委員會 (Zhongguancun Science Park Management Committee*). This shows the recognition of our technological advancement by the PRC government.

We have an experienced management team with industry knowledge, management skills and technical know-how

We have an experienced management team that is familiar with the information and software service industry in the PRC. Our management team is led by one of our founders, our Chairman and an executive Director, Mr. Wang, who has accumulated over 20 years of experience in the information technology industry and has been responsible for the overall business corporate strategic planning and development of our Group. Another executive Director, Mr. Wu Hongyuan also had accumulated over 20 years of experience in the information and software service industry. Mr. Wu Hongyuan is also the pioneer in steering the development of our ARSP through his previous electric power selling and management related work experience between 2007 and 2011.

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Mr. Li Yanmin, a deputy general manager of our Group, has over 20 years of experience in the electric power software and information service industry in the PRC. Mr. Di Xin, a deputy general manager of our Group, has over 10 years of experience in the information technology industry in the PRC. Other members of our senior management team, such as Mr. Zhou Hao, the assistant general manager of our Group, is also an experienced software-related product developer. These management staff have been with us for over five years. Our other senior management staff also possesses necessary technical know-how and management skills. Further information regarding the experience and credentials of our management team are set out in the section headed “Directors and senior management” in this prospectus.

Our experienced management team is responsible to capture market opportunities and to formulate and execute business strategies. It has proven its ability and success in obtaining and executing different kinds of projects for provision of services and products to SGCC Group and IMPG Group. Our growth and development have been attributable to the experience of our executive Directors and our management team.

OUR STRATEGIES

Leveraging on our strengths, we aim to build on our existing position as an established provider of Software Systems and Technical Services to electric power grid companies in the PRC to expand our foothold as an information technology service provider and supplier of equipment for SGCC Group and IMPG Group to cover more of their operating areas. We also aim to expand our business reach to the China Southern Grid and to further expand our market reach to cover more local electric power grid companies, electric power retailing companies emerging from the New Reform and electricity users. To achieve our goal, the following are the principal strategies and future plans we intend to carry out:

Further enhancement of our research and development capabilities

It is our aim to continue enhancing our capability to provide Software Systems and Technical Services to suit our customers’ requirements from time to time. In order to achieve such aim, we need to expand, develop and enhance different kinds of software components on our ARSP and other software systems. We intend to invest additional resources to further strengthen our research and development and customer service department by recruiting more professionals to conduct research, purchase more equipment to provide necessary research and provide more training to improve the research, design and development capabilities of our technical staff.

According to the CIC Report, the Energy Interconnection is designed to enhance integration of power generation and consumption by information technology and accelerate industrial upgrading. In addition, with more emphasis being placed on energy demand management (also known as demand side management (DSM)) in the PRC in recent years, efficient energy consumption is encouraged in the PRC with the implementation of the (i) Notice on Improving Electric Emergency Mechanisms and Implementing City Pilot Demand Side Management; and (ii) Opinion on Clean Energy (from renewable energy consumption aspect). In addition, further enhancement or upgrade of their energy transmission system and maximisation of energy supply efficiency would be required. To cater for this potential increase in demand, we have been developing to enhance our ARSP so that we can assist our customers to migrate their existing software systems to the cloud which enhanced efficiency in the storage, retrieve and management of data and enhanced operation efficiency in a secured environment.

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According to the CIC Report, more local electric power grid companies and electric power retailing companies will emerge as a result of the New Reform in the future. Such integration should lead to further demand for software systems, technical services to upgrade or maintain existing software systems and related hardware or software products for both existing and new local electric power grid companies and electric power retailing companies.

We will also endeavour to enhance our research and development capability by enhancing our cooperation with third-party institutions, such as universities. We intend to set up laboratories with third-party institutions for researching into and testing new and enhanced software. Results of research from the laboratories would expand and enhance different kinds of software components on our ARSP, enhance our capability in expanding the scope of our Software Systems and Technical Services and the range of hardware to be provided to our customers or potential customers. By enhancing our research and development capability, we target to enhance and expand our product/service offerings.

Expansion of our customer base

During the Track Record Period, we mainly focus on providing Software Systems and Technical Services for IMPG Group and Technical Services for SGCC Group. Our business activities were mainly concentrated in the region where the operation of these two electric power grid companies cover. As our sale of Software Systems and provision of Technical Services to IMPG Group and our provision of Technical Services to SGCC Group only covered certain areas or cities such as Beijing, Ordos and Bayannur, we plan to expand our sale of Software Systems and our Technical Services to more areas or provinces which SGCC Group and IMPG Group operate. As electric power transmission and distribution in Southern China is operated by CSG, we also plan to expand our sale of Software Systems and our provision of Technical Services to the China Southern Grid in order to expand the geographical coverage of our services and products.

We also plan to expand our business to new local electric power grid companies and electric power retailing companies emerging from the New Reform in the PRC. According to the CIC Report, with the implementation of the New Reform, private capital has been encouraged to enter into China's electric power transmission and distribution industry. Electric power retailing companies are able to purchase and resell electricity. As electric power selling and management system can be regarded as a necessity for the operation of local electric power grid companies and electric power retailing companies, it is expected demand for software systems and technical services in relation to the electric power selling and management service will grow going forward. Since our electric power related Software Systems and Technical Services can be applied to electric power exchange platforms for various market participants in the electric power industry in the PRC, namely local electric power grid companies and electric power retailing companies and electricity users, having considered the (i) dramatic increase in the number of electric power retailing companies as a result of the promulgation of the New Reform; and (ii) 35 provincial level electric power exchange centres and platforms have been established by the end of 2017, there will be an additional demand for electric power exchange related software system and technical services. We believe we are well positioned to expand our business to potential private electric power retailing companies in the PRC by utilising our accumulated business experience with local electric power grid companies.

We plan to expand our customer base by approaching new electric power grid companies. We believe that such new users would require experienced providers of Software Systems and Technical Services to assist them in setting up integrated electric power selling and management system to accommodate requirements of the complex network of end users in the PRC.

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We also plan to expand our customer base by approaching electricity users by providing Software Systems embedded with relevant functions to address their needs in electricity consumption (such as energy saving).

Enhancing and expanding product/service offerings

With the increasing migration of software to the cloud in general, there are more services being rendered over the internet to enable on-demand access to a shared and configurable computing resources (e.g., computer networks, servers, storage, applications and services), which can be rapidly provisioned and released with minimal management effort. We plan to enhance our ARSP so that we can assist our customers to migrate their existing software systems to the cloud in future.

Regarding our Software Systems in relation to electric power selling and management provided to IMPG Group and other local electric power grid companies, we plan to assist them to migrate their existing software systems to the cloud in future.

After migrating their existing software systems to the cloud, our customers shall be able to have access to their Software Systems through mobile applications and computers.

In particular, regarding our Software Systems in relation to electric power selling and management provided to IMPG Group, given their need to have tailor-made Software Systems, we will continue to have a dedicated team of technical staff to serve IMPG Group in order to provide tailor-made Software Systems and related Technical Services as well as assisting the future mitigation of their existing Software Systems to the cloud as mentioned above.

In view of the emergence of electric power retailing companies after the New Reform which have more standardised requirements for their electric power selling and management, we have devised Huidianyun by utilising software components in our ARSP. Huidianyun offers cloud-based services in relation to electric power selling and management specifically designed for small to medium size electric power retailing companies and was officially launched in November 2017. Compared to the Software Systems in relation to electric power selling and management for IMPG Group and other local electric power grid companies which are tailor-made according to their specific requirements, Huidianyun focuses on the provision of cloud-based services with a set of standardised functions which are essential to the operation of electric power retailing companies, such as collection and monitoring of electricity usage and online electricity sale.

Each electric power retailing company customer can choose the combination of the software services offered by Huidianyun according to their own specific needs. As cloud-based service, Huidianyun can be accessed through web browsers and mobile devices and does not require on-site installation on the customers' computers. Customers can also access to the most up-to-date services from time to time. The current provision of Huidianyun services is based on a subscription fee model, where our electric power retailing company customers are required to pay an annual subscription fee for the access and use of our services within the prescribed period of time and the annual subscription will vary according to the types and number of the features each customer requires. Customers are not required to pay one-off initial software development costs as required in the case of our sale of Software Systems, which is more financially attractive for our electric power retailing company customers, which are typically small in size and just commenced operation. The Huidianyun services have brought six new electric power retailing company customers to our Group up to the Latest Practicable Date.

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Other than Software Systems in relation to electric power selling and management, Software Systems in relation to electric power exchange is also our focus in our future business development. In this regard, we will continue to expand and develop software components on our ARSP in relation to the electric power exchange, which would incorporate features such as exchange activities management, market participants management and settlement and contract management for electric power grid companies, electric power retailing companies, etc..

On the other hand, with the increasing popularity of electric cars in the PRC, charging facilities for electric cars have been built in various cities in the PRC, such as Beijing, Shanghai and Xian, the number of charging piles grew from approximately 18,800 to approximately 457,000 (including privately-owned charging piles) at the CAGR of approximately 122.0% from 2012 to 2016. According to the CIC Report, the number of charging piles in the PRC is expected to reach approximately 7.8 million in 2021. With the emergence of the internet era, it is expected that smart charging piles would be introduced featuring intelligent technology. Network-based charging piles will be more “intelligent”. Under this circumstance, economic value of charging piles will be further enhanced in the future. For further details, please refer to the paragraph headed “Charging facilities in the PRC” under the section headed “Industry overview” in this prospectus.

Based on our experience in the sale of Software Systems and the provision of Technical Services, we plan to expand our product/service offerings by developing electric cars charging management related software and services. We have been conducting research in the potential market of the electric cars charging management related software and services in the PRC in the future. In August 2016, we entered into a strategic cooperation agreement with a university which specialises in the electric power industry in the PRC to collaborate performing research for a period of five years on (i) improvement on smart charging stations and piles by developing different kinds of smart charging piles, namely (a) portable smart charging power bank; and (b) fast smart charging piles, in order to accommodate the prominent demand in smart charging piles in the PRC; and (ii) enhancement on an integrated and intelligent technology required for smart charging stations and piles by developing and enhancing software to be used for smart charging piles and stations, such as mobile applications and management platform which is similar to our ARSP.

Further strengthening our business and technical know-how through acquisitions or investment

Part of our strategies is to further strengthen our business and technical know-how through acquisition of or investment in companies with proprietary know-how or inventions so as to create synergies with our technical capabilities. We aim to enrich our proprietary technologies and enhance our in-house research and development capabilities. When considering potential acquisition or investment opportunities we will take into account factors including their geographical locations, product portfolio, technology and know-how, customer base, whether they complement our operations and research and development. As at the Latest Practicable Date, we had not identified any suitable target for such potential acquisition or investment. We will make announcement(s) in accordance with the applicable requirements of the Listing Rules as and when necessary.

OUR EXPANSION PLANS

We intend to strengthen our position in the electric power selling and management system industry in the PRC by (i) further enhancing our research and development capabilities; (ii) expanding our customer base; (iii) enhancing and expanding our product/service offerings; and (iv) acquiring of or investing in companies with proprietary know-how or inventions of software or products in relation to electric power selling and management.

Further enhancing our research and development capabilities

We plan to enhance our research and development capabilities regarding (i) mobile internet; (ii) big data; and (iii) our ARSP by performing the following:

- (a) purchasing more equipment, such as electric power procurement server, database drive and electric power metering equipment, to conduct necessary research;
- (b) recruiting approximately 60 technicians, including experts who have extensive experience in the electric power software and information service industry in the PRC, in particular design and engineering work, and have obtained relevant qualification(s) in computer science;
- (c) providing more trainings to our technical staff to improve their research, design and development capabilities; and
- (d) collaborating with third-party institutions for researching on and testing new and enhanced software through the set up of laboratories and sharing of the latest industry information. As at the Latest Practicable Date, we have entered into a strategic cooperation agreement with a university which specialises in the electric power industry in the PRC to collaborate to perform research on (i) improvement on smart charging stations and piles in order to accommodate the fast growing and changing electric cars market in the PRC; and (ii) enhancement on an integrated and intelligent technology required for smart charging stations and piles and have plan to cooperate with a science and technology research institute co-founded by a provincial-level government and a university in the PRC to perform research on energy interconnection related areas.

As at 31 August 2017, we had 171 research and development and customer service technicians, among which 124 staff members were regional technicians stationed at our customers' office. For the remaining research and development staff members located at our offices, they also need to temporarily work on Software Systems projects in order to cope with our business expansion and customer demands from time to time.

To further enhance our Group's technical capabilities and grow our business in accordance with our strategies, we are of the view that by recruiting 60 technicians to focus solely on research and development would enable us to maintain our competitiveness in the market in the future. Our Directors are of the view that the number of technicians recruited is reasonable, considering that the information technology industry is a labour-intensive and research and development based industry.

Among those 60 technicians, (a) approximately 20 of which would be focusing on the area on big data related research and development projects (e.g. data collecting, digging, processing and analysis, as well as management's decision making assistance analysis and demand side management analysis, etc.); and (b) approximately 40 of which would be focusing on further enhancing our ARSP so that we can assist our customers to migrate their existing software systems to the cloud in future. Through migrating their existing software systems to the cloud, our customers shall be able to have access to their Software Systems through mobile applications and computers.

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We have been doing research and development on new functions of our ARSP to incorporate electric power exchange, smart charging pile management and electric power retailing features, upon which we believe we are technologically prepared to meet the demand from new local electric power grid companies and electric power retailing companies emerging from the New Reform.

By recruiting such 60 technicians, our existing research and development technicians will be freed from temporary project assignments and thus will be able to focus on enhancing our technical capabilities in current projects and services offerings (i.e. software systems development and upgrading in relation to electric power selling and management, etc.) and certain existing research and development technicians will be assigned to the research and development of mobile internet related software.

The following table sets out the breakdown of our research and development expenses incurred/capitalised during the Track Record Period and expected to be incurred/capitalised for the two years ending 31 March 2019:

	Year ending 31 March			Five months ended 31 August	Year ending 31 March	
	2015	2016	2017	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capitalisation of research and development expenses	2,271	2,377	3,528	1,670	14,932	10,452
Research and development expenses	548	628	822	511	828	828
Total	2,819	3,005	4,350	2,181	15,760	11,280

We expect to utilise approximately 35% of the net proceeds of the Global Offering for this purpose. For further details, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

Expanding our customer base

In respect of expanding our customer base, we intend to promote ourselves to potential customers by setting up regional offices, recruiting more local staff and providing trainings to such staff in different cities across China, in particular in west Inner Mongolia and Southern China. Since September 2016 and as at the Latest Practicable Date, we have cultivated new business relationship with seven municipal cities, including 38 counties of west Inner Mongolia, as a result of implementing IMPG Group’s Rural Access to Selling and Management Information Systems Project (農電營銷信息系統接入項目), which expanded our customer base in west Inner Mongolia.

As at 31 August 2017, we had 124 regional technical staff in aggregate stationed in North-west China, South-west China, Central China, Eastern China, Northern China and North-east China. For details regarding breakdown on the number of regional technical staff stationed at different areas across China, please refer to the paragraph headed “Sales and marketing” below. As our regional technical staff

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were stationed at our customers' offices in different areas in the PRC and we do not have any regional offices as at the Latest Practicable Date. We intend to set up regional office in each of Beijing, Guangzhou, Wuhan, Shanghai, Chongqing, west Inner Mongolia and Shenyang to enhance our after-sale technical support to our different customers. The following table sets out the (i) location and coverage of the intended new regional offices; (ii) respective number of technical staff intended to be hired for the regional offices; and (iii) respective expected annual rental cost:

Location of regional office	Coverage	Number of staff to be hired	Expected annual rental costs (RMB)
Beijing (North-west China)	– Beijing; – Tianjin; – Hebei Province; and – Shanxi Province	3	255,500
Guangzhou (South China)	– Guangdong Province; and – Hainan Province	3	255,500
Wuhan (Central China)	– Hubei Province; – Hunan Province; – Henan Province; and – Jiangxi Province	3	109,500
Shanghai (Eastern China)	– Shandong Province; – Jiangsu Province; – Anhui Province; – Zhejiang Province; – Fujian Province; and – Shanghai	3	273,750
Chongqing (South-west China)	– Sichuan Province; – Yunnan Province; – Guizhou Province; and – Chongqing	3	73,000
West Inner Mongolia (North-west China)	– Ningxia autonomous region; – Xinjiang autonomous region; – Qinghai; – Shaanxi Province; and – Gansu Province	3	73,000
Shenyang (North-east China)	– Liaoning Province; – Jilin Province; and – Heilongjiang Province	3	73,000

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The expected remuneration of technical staff, managerial assistants, project manager and marketing staff would be approximately RMB120,000 per annum, RMB80,000 per annum, RMB150,000 per annum and RMB200,000 per annum, respectively. As we target to hire approximately 10 technical staff, seven managerial assistants, seven project manager and seven marketing staff during the period between April 2018 and March 2019, the expected increase in the recruitment cost would be approximately RMB4.21 million for the 12-month period. It is also expected that the one-off set-up cost of regional offices would be approximately RMB1.12 million. As we intend to provide internal training to such staff, it is expected that staff training expenses would be minimal. It is expected that the abovementioned rental costs, staff cost, recruitment costs and one-off set-up cost expected to be incurred in the respective first 12-month period would be financed through the proceeds from Listing.

We plan to set up more regional offices in different cities across China to facilitate better communications with electric power grid companies in the China Southern Grid, as well as electric power retailing companies emerging with the implementation of the New Reform, as we would be more easily accessible by our existing or potential customers. By setting up regional offices and recruiting more local staff, we believe we will be more readily available to provide after-sale technical support to our existing and potential customers, in particular electric power retailing companies emerging as a result of the implementation of the New Reform.

According to the CIC Report, as the number of electric power retailing companies is expected to increase between 2017 and 2021, we believe that there will be an increasing demand for our services and products, in particular from the emerging electric power retailing companies. As we have been accredited with ISO 9001 quality management system certification by the China Quality Mark Certification Group in respect of our quality management, being one of the factors that electric power grid companies would consider when engaging electric power software system supplier, we target to be qualified as the supplier of China Southern Grid as well as electric power retailing power companies. In addition, we would also be able to provide more “on-site” technical training programmes in relation to the operation and maintenance of our Software Systems as well as complementary regular system upgrade services to our customers. Thus, by promoting ourselves, we aim to expand our market share, better compete with our competitors, and continue to strengthen our position in the electric power selling and management system industry in the PRC. As we expect to implement our plan of expanding our customer base between April 2018 and March 2019 with an estimated annual expenditure of approximately RMB6.73 million (including but not limited to rental cost, recruitment cost and one-off set-up cost), we expect to utilise approximately 20% of the net proceeds of the Global Offering for expansion of our customer base. For further details, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

Enhancing and expanding our product/service offerings

We intend to enhance and expand our product/service offerings, such as enhancement of our Software Systems with cloud-based features and the provision of electric car charging related software and services. We plan to enhance our ARSP so that we can assist our customers to migrate their existing software systems to the cloud in future. Through migrating their existing software systems to the cloud, our customers shall be able to have access to their Software Systems through mobile applications and computers. For details on the further enhancement of our ARSP with cloud computing features, please refer to the sub-paragraph headed “Enhancing and expanding product/service offerings” under the paragraph headed “Our strategies” in this section. With the anticipation of the further development of intelligent technology required for smart charging stations and piles in the future, we plan to continue

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conducting research on intelligent technology required for smart charging stations and piles by collaborating with a university specialises in electric power industry in the PRC. For further details regarding the favourable policies and regulations in respect of the charging facilities in the PRC, please refer to the paragraph headed “Charging facilities in the PRC” under the section headed “Industry overview” in this prospectus.

Based on our experience in the sale of Software Systems and the provision of Technical Services, we plan to expand our research and development customer service department in developing electric cars charging management related software and services by setting up a platform similar to our ARSP. Such platform will consist of software systems for data collection and monitoring, customer services, billing and payment as well as administration in relation to electric power selling and management. All in all, such platform shall perform as a managing platform for smart charging related information. In addition, we intend to develop a mobile application with features such as locating nearby charging piles or stations, advance booking of charging piles or stations and multi-settlement method. Electric power grid companies and electric power retailing companies which operate smart charging piles or stations, smart charging piles manufacturers and electric car users, would be the target customers and users for the abovementioned platform and mobile application.

As we are currently in the initial stage of conducting research in the potential market of the electric cars charging management related software and services in the PRC in the future, our development of intelligent technology required for smart charging stations and piles may not be successful. Please refer to the sub-paragraph headed “Our expansion of product/service offerings may be less successful than those regarding our Software Systems, Technical Services or sale of hardware, or even not successful” under the paragraph headed “Risks relating to our business” in the section headed “Risk factors” in this prospectus for details. The following table sets out the expected timeframe regarding our launch for intelligent technology required for smart charging stations and piles:

(Expected) timeframe	Event(s)
Between May 2016 and May 2017	<ul style="list-style-type: none">– conducting research in the potential market of the electric cars charging management related software and services in the PRC;– preparing budget for conducting research for developing intelligent technology required for smart charging stations and piles; and– preparing a memo regarding any industry or governmental standards that are required for intelligent technology required for smart charging stations and piles
August 2016	Entered into a strategic cooperation agreement with a university which specialises in the electric power industry in the PRC to collaborate performing research on (i) improvement on smart charging stations and piles in order to accommodate the fast growing and changing electric cars market in the PRC; and (ii) enhancement on an integrated and intelligent technology required for smart charging stations and piles. For further details regarding such agreement, please refer to the paragraph headed “Research and development” below.

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(Expected) timeframe	Event(s)
Between June 2017 and October 2017	Designing and conducting research for developing intelligent technology required for smart charging stations and piles
June 2018 onwards (depending on results of the inhouse tests and improvement(s), if any, required)	Performing tests on our self-developed intelligent technology required for smart charging stations and piles and improving the performance thereof, if necessary
July 2018 onwards (depending on results of the inhouse tests and improvement(s), if any, required)	Launching and promoting of our self-developed intelligent technology required for smart charging stations and piles

We expect to utilise approximately 20% of the net proceeds of the Global Offering for expansion of our product/service offerings. For further details, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

Acquiring of or investing in companies with propriety know-how or inventions

We intend to acquire or invest in companies with proprietary know-how in cloud computing and/or smart charging aspects or strong research and development capabilities and inventions of software systems or products in relation to electric power selling and management and electric power exchange. When considering a proposed acquisition or investment, we will assess, among others, (i) relevant market environment; (ii) return rate of the investment; (iii) risks related to such investment; (iv) whether we have sufficient liquidity or resources for such investment; and (v) time and resources required for such investment. We had not identified any suitable target for such potential acquisition or investment as at the Latest Practicable Date. However, should we identify any suitable target(s) in the future, we expect to utilise approximately 15% of the net proceeds of the Global Offering for potential acquisition and/or investment.

We intend to invest or acquire companies with (i) strong electric power exchange related research and development capabilities (with an expected fair value of approximately RMB760,000); (ii) strong customer base (with an expected fair value of approximately RMB2.53 million); (iii) proprietary know-how in cloud computing (with an expected fair value of approximately RMB1.01 million); and (iv) smart charging related proprietary know-how (with an expected fair value of approximately RMB760,000). For further details, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

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OUR PRODUCTS AND SERVICES

We have three main business segments, namely sale of Software Systems, provision of Technical Services and sale of hardware. Details of each business segments are set out below:

Sale of Software Systems

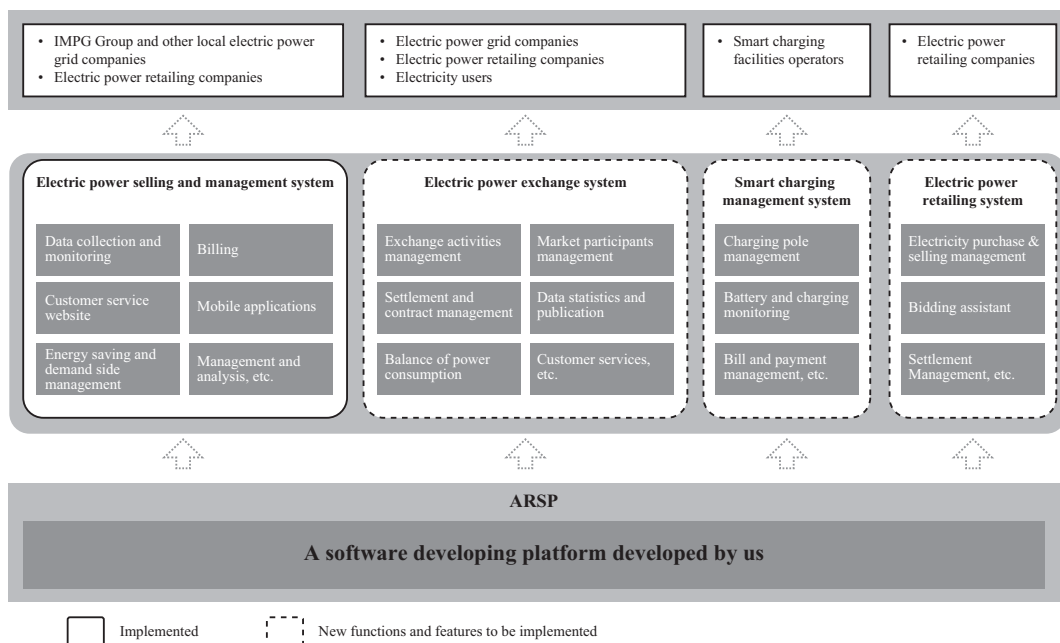
We offer Software Systems in relation to electric power selling and management to our customers to accommodate the specific needs of our customers. Our contracts for Software Systems are mostly obtained on project basis through tender process.

For our Software Systems projects, we are usually required by our customers to design the entire integrated software system, which incorporated a mixture of software features at the request of our customers, to facilitate data transmission and collection between our customers as the power suppliers and end users of electricity along the electric power selling and management value chain. Typical features required include, among others, electric power consumption related data collection and monitoring, customer services, billing and management as well as administration of electric power selling and management. Our Software Systems are required by our customers when there is an extension of their power supply services to new communities/areas; or when there is an upgrade or replacement of their existing system(s). As some of the existing system(s) of our customers are Software Systems provided by us, we had been engaged to upgrade or replace their Software Systems.

ARSP

Our ARSP is a platform developed by us with our experience and know-how in the electric power selling and management system industry.

The following diagram shows our ARSP and major functions of our Software Systems:



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Our ARSP comprises different software components with different kinds of functions covering the entire electric power selling and management value chain, ranging from data collection and monitoring, customer services, billing and payment as well as administration in relation to electric power selling and management. In accordance with the request of our customers, we shall select appropriate software components on our ARSP to tailor-made and customise different kinds of software systems incorporating a mixture of software features for our customers. During the Track Record Period, all Software Systems provided by our Group to customers were tailor-made with features or functions according to their respective requirements and were developed with the use of our ARSP.

Through the use of different kinds of software components on our ARSP with different kinds of functions, our Software Systems enable electricity related data to be collected, processed, analysed and transmitted to our customers, i.e. electric power grid companies and electric power retailing companies. Electricity related data would be processed by our Software Systems and our customers would be able to carry out various actions, including electricity metering, calculating electricity bill amount, enabling electricity consumers to arrange for self payment of electricity bill at any time, verifying payment history of electricity consumers, detecting electrical circuit connectivity and responding to 24/7 inquiry from electricity consumers.

The followings are the major software components that we usually include in our Software Systems in relation to electric power selling and management during the Track Record Period:

Major software component	Feature	Examples
Data collection and monitoring	To collect electricity metering information in order to perform billing calculation	Metering and bill calculation
Customer services	To integrate customer website, SMS service platform, metering management system, billing system etc.	SMS service platform, smart electricity consumption websites, mobile applications and wechat public accounts
Billing and payment	To calculate electricity bills and diversify the payment methods by electricity consumers	Bill and collection, 24/7 bill payment, automatic top-up service for pre-paid card and verifying payment history of electricity consumers, electricity purchase and selling services
Electric power selling and management administration	To monitor and analyse sales data, operation data etc. of electric power grid companies	Selling and management services; energy saving and demand side response; statistics analysis and value-added services

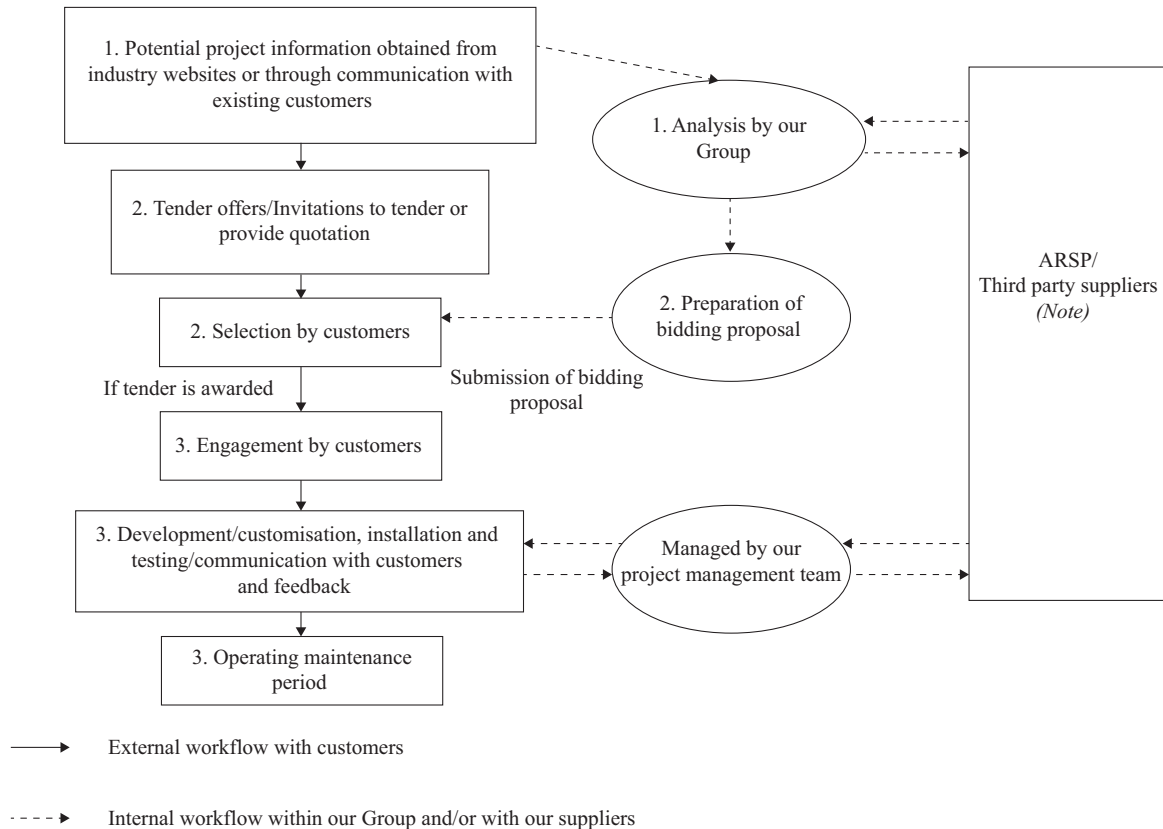
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For our sale of Software Systems, where provision of software systems or hardware equipment are required, we usually provide design, development/customisation, installation, testing and inspection services to our customers.

Operational flow

The average duration of the business cycle for Software Systems project is approximately six months.

The following diagram illustrates a typical process of our sale of Software Systems:



Note: We provide Software Systems for our customers according to their requirements, and we may provide such Software Systems by using different kinds of software components on the ARSP, and/or software components or hardware equipment sourced from our suppliers. If (i) there is a tight project schedule; or (ii) we have insufficient manpower in providing the Software Systems; or (iii) we do not possess the expertise in designing certain ancillary software components to support the Software Systems such as geographical information software components, we will sub-contract the provision of ancillary software components of our Software Systems to third party suppliers.

1. Identifying potential projects

We obtain potential project information from industry websites or through discussions with our customers regarding potential enhancement to their existing Software Systems or requirements for Technical Services from time to time. We are a registered user under the e-commerce platform of SGCC Group and a project bidding website in the PRC from which we can keep abreast with potential offer of tenders from different members of SGCC Group and other local electric power grid companies. We are also a registered user under other online trading systems, such as 錫林郭勒盟政務服務公共資源交易中

心 (Xilin Gole Public Resources Trading Center*) 和 鄂爾多斯公共資源交易網 (Ordos Public Resources Trading Site*). From those other online trading systems, we will obtain information regarding the tenders and contracts offered by different members of IMPG Group from time to time. When the potential tender is originated from our existing customers, i.e. through discussions with our customers regarding potential enhancement of their existing Software Systems, we will share with them our views on their proposed plan(s). In some cases, we may also discuss with them and modify the specifications or technical requirements of the potential project(s).

2. Feasibility study/tendering for projects

When we are aware of a potential project, we will conduct research and analysis on such project and plans to be performed. Various factors, including manpower, qualification requirements (if any), types and quantity of materials and equipment required, location of the project, project timeline and profitability, will be taken into account when we analyse the feasibility of the potential project.

After feasibility studies are completed, our technical staff, project management staff, procurement staff, finance staff and the general manager will assess whether a detailed bidding proposal shall be prepared for such potential project based on the results of the feasibility studies. While considering whether such potential project is feasible or not, the abovementioned staff will take into account whether there will be sufficient manpower for such potential project, timeline of the potential project, the estimated cost and profit of the potential project, and the risk of engaging in such potential project. If all of such staff vote in favour of an application for the tender, we will then start to prepare a detailed bidding proposal.

We believe that our customers will generally take into account the technological capabilities, pricing and business track record when awarding tenders. The technological capabilities aspect covers among others, the technological know-how possessed by a certain applicant and experience of its technical staff. The pricing aspect covers, among others, reasonableness of the offer price. The “business track record” aspect covers, among others, the past track record experience of a certain applicant and its relevant qualifications. Payment terms and schedules are usually set out in the tender offers of our customers. For further details regarding the pricing of our project agreements, please refer to the sub-paragraph headed “Pricing policy” under the paragraph headed “Sales and marketing” below.

When a tender is awarded to our Group, we will be notified by our customer to enter into the relevant project agreement. Detailed scope of services required, payment terms and schedules will also be discussed and agreed upon. We will also prepare a project budget for internal use. We will then proceed to execute the project in accordance with the requirements and timetable in the project agreement and the relevant implementation plans approved by our customers.

3. Project execution

After successfully obtaining a project for our Software System, we will form a project management team which typically will include a project manager and certain technical staff. We will design our Software Systems based on the requirements of our customers as detailed in the project agreement, using different kinds of software components on our ARSP and customise for our customer’s specific requirements, if required. Depending on the functionality required, we may also source and customise, if required, suitable software components from third party suppliers. We will source other raw materials and hardware equipment from third party suppliers. In addition, if (i) there is a tight project schedule; or (ii)

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we have insufficient manpower in providing the Software Systems at the relevant time; or (iii) we do not possess the expertise in designing certain ancillary software components to support the Software Systems such as geographical information software components, we will sub-contract the provision of ancillary features of our Software Systems to independent third parties.

Upon completion of the design of the Software Systems, we will generally perform the following in accordance with the project agreement:

- (i) installation of Software Systems — under the supervision of our customer, we will install Software Systems in accordance with the specified standards and procedures set out in the relevant project agreement and related documents;
- (ii) performance of off-line testing on Software Systems — we shall assist our customer in performing off-line testing on Software Systems. If the results of the off-line testing satisfy the specified standards set out in the relevant project agreement and related documents, we will proceed to trial operation;
- (iii) commencement of trial operation of Software Systems for a period of time as set out in the relevant project agreement — if there are any discrepancies between the actual performance of Software Systems during the trial operation and the described performance sets out in the relevant project agreement, we shall be responsible to tune or refine the Software Systems. Conclusion of the trial operation and commencement of official operation shall take place (i) upon the end of the period set out in the relevant project agreement of such trial operation, without any faults being found during such period; and (ii) upon the mutual confirmation of our customer and our Group regarding the results of the trial operation; and
- (iv) official operation of Software Systems — within a period of time as set out in the relevant project agreement from the commencement of official operation of Software Systems, we will provide an acceptance report and related documents to our customers for mutual acceptance of the completed project.

After completion of the project, there is usually an operating maintenance period of one year during which we will provide repair and maintenance services to our customers free of charge. For further details, please refer to the paragraph headed “Quality control” below.

Provision of Technical Services

We offer Technical Services to our customers by providing maintenance, upgrading and outsourcing services to customers to cater for their specific needs from time to time for electric power software and information, the scope of which depends on demand of customers, which mainly include:

- (i) *for IMPG Group and other local electric power grid companies* – maintenance and upgrading of software systems in relation to electric power selling and management (examples including annual operational maintenance of customer’s electric power selling and management software systems, which were also developed by us in prior years); and

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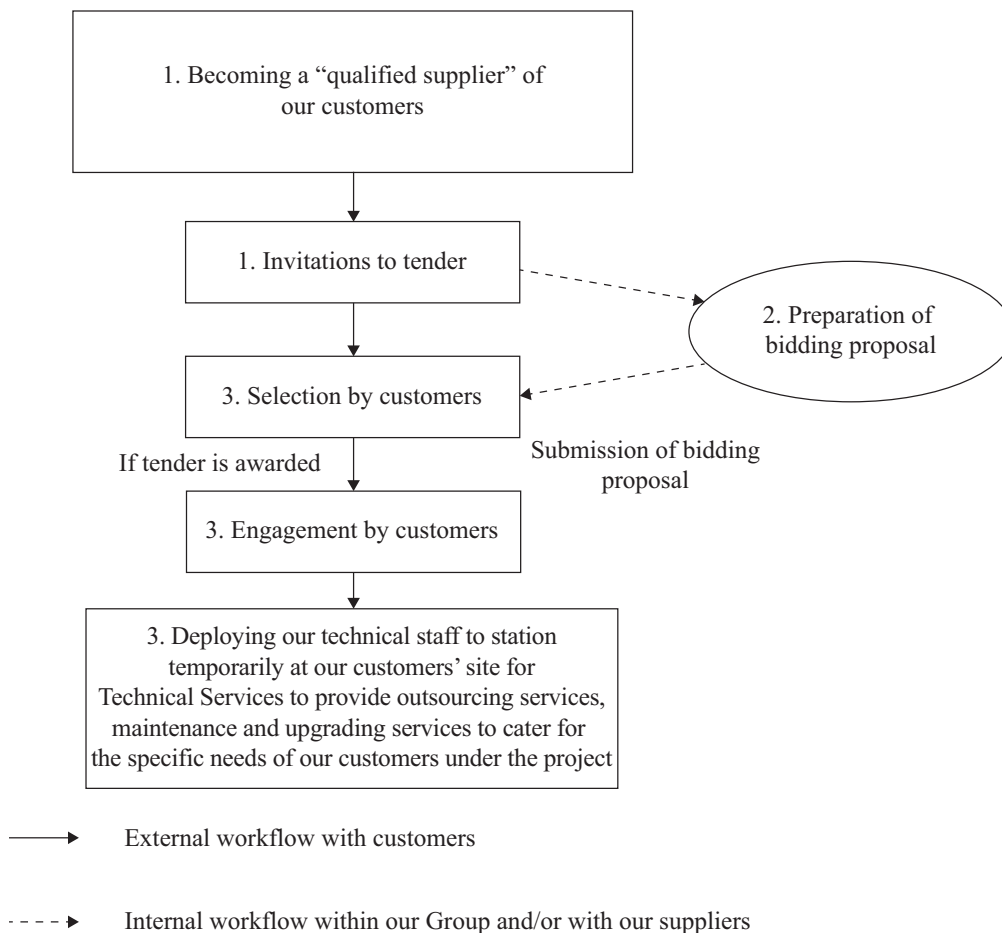
- (ii) *for SGCC Group* – outsourcing services by providing technical staff to SGCC Group in relation to electric power exchange (examples including (1) development of relevant software systems for the electric power exchange platform of SGCC Group; and (2) local technical support services, including but not limited to installation, testing and implementation of the software systems for the electric power exchange platform in various electric power exchange centres on provincial level).

As the provision of Technical Services involves maintenance, upgrading and outsourcing services to customers instead of design and development of Software Systems, provision of Technical Services to our customers does not directly involve the use of our ARSP platform. Nonetheless, we also employ our ARSP platform for the purpose of technical staff training. As such, it contributes to the continuous improvement of technical capabilities of our research and development team, which in turn, benefits our provision of Technical Services to our customers.

The average duration of the business cycle for Technical Services is approximately 12 months.

Operational flow

The following diagram illustrates a typical process of our provision of Technical Services:



1. *Becoming a “qualified supplier” and invitations to tender*

We usually have to become a “qualified supplier” of our customers before our customers engage us for the provision of Technical Services. We understand that our customers will usually have their list of qualified suppliers for each year and they will procure supplies/services from their “qualified suppliers” during the year. To become a “qualified supplier”, there are typically registered capital requirements (usually not less than RMB10 million) and certifications requirements, including but not limited to, ISO 9000 quality management, software enterprise certification and computer information system integration qualification (level 3 or above). Therefore, after becoming “qualified supplier” of our customers, our customers will engage us for provision of Technical Services on project basis from time to time during that particular year.

2. *Preparation of bidding proposal*

Similar to our sale of Software Systems, a feasibility study will be conducted on the potential project. After our research and development and customer service staff, procurement staff, accounting and finance staff and the management staff vote in favour of an application for the tender, we will then start to prepare a detailed bidding proposal.

3. *Selection and engagement by customers/project execution*

When a tender is awarded to our Group, we will be notified by our customer to enter into the relevant project agreement. Depending on the requirements and functions to be performed, we may deploy our technical staff to station temporarily at our customers’ site to provide technical services to customers to cater for their specific needs under the project, e.g. upgrading or enhancing the existing software systems of our customers or outsourcing services in relation to the electric power exchange platform. If human resources support is required for the project, it is usually required by our customers that during the execution of the project, the technical staff temporarily stationed at our customers’ office should not be replaced without the written consent of our customers. Our customers may also request to interview our technical staff who is responsible for their project before they are deployed to station at their office. Our provision of Technical Services is usually considered to be completed upon the end of the term of our services as set out in the relevant agreement.

In addition, we also provide maintenance, upgrading and technical services to our customers to whom we provide Software Systems which we consider as part of our provision of Technical Services. We have entered into maintenance, upgrading and technical services agreement with our customer based in the west Inner Mongolia since 2011. We provide annual maintenance services, including 24/7 maintenance support and on-site training in general, for Software Systems to IMPG Group. Details of annual maintenance services vary from year to year as the services required will differ each year.

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Our maintenance agreement shall be renewed annually, which is in line with industry norm according to the CIC Report. Pricing for our maintenance agreement is generally determined with reference to complexity of the Software Systems, estimated manpower and scope of maintenance work required. Our customer will perform inspection of our maintenance work either weekly or monthly during the process of our maintenance work. Upon satisfaction of the inspection results, our customer will pay the maintenance fee to us pursuant to the maintenance agreement. Pursuant to the maintenance agreement, any intellectual property created during the performance of our maintenance work under such agreement belongs to our customer.

Sale of hardware

We also enter into agreements with our customers for the sale of hardware, some of which may require the installation of our software systems. During the Track Record Period, our sale of hardware in relation to electric power selling and management included automated teller machines for payment of electricity bills and meter readers etc.. Our contracts for sale of hardware are also obtained through tender process. We obtain information regarding potential tender from electric power industry tender websites or from our existing customers who may discuss their product requirements with us. For some of our existing or potential customers which require hardware, they have certain supplier qualification requirements in that an entity has to pass such qualification process and be admitted into their “qualified suppliers’ lists before such entity could be accepted as a potential bidder for their supply contracts. During the Track Record Period, we have been admitted as qualified suppliers by such customers or potential customers, hence, we are able to tender for or obtain from them agreements regarding provision of hardware.

The tender documents will usually set out the specifications of the hardware required, hence, we usually will not be involved in the design of the relevant hardware. As we do not manufacture the relevant hardware, we will obtain fee quotation from suppliers before we submit our bidding proposal to the potential customer. We believe pricing is the major factor which our customers will consider when making their choice of the appropriate supplier to provide hardware. For further details regarding the pricing of our sale of hardware, please refer to the sub-paragraph headed “Pricing policy” under the paragraph headed “Sales and marketing” below.

When a tender is awarded to our Group, our customer will place purchase orders with us setting out the quantity of the relevant hardware required. We will then source the relevant products or parts thereof for assembly and delivery to our customers.

BUSINESS

Other — Huidianyun

As mentioned in the sub-paragraph headed “Enhancing and expanding product/service offerings” under the paragraph headed “Our strategies” in this section, in view of the emergence of electric power retailing companies after the New Reform, we have developed a cloud-based electric power and selling management software system specifically for small to medium size electric power retailing companies called Huidianyun and such service was officially launched in November 2017. The typical process of our provision of Huidianyun services is similar to that of our provision of Technical Services. First, we usually have to become a “qualified supplier” of our electric power retailing company customers before they engage us. Then a feasibility study will be conducted on the potential project. After our staff in the relevant departments vote in favour of an application for the tender, we will then start to prepare a detailed bidding proposal. When a tender is awarded to our Group, we will enter into a service contract. Our provision of Huidianyun services is based on a subscription fee model, where our electric power retailing company customers are required to pay an annual subscription fee for the access and use of our service within the prescribed period of time and the annual subscription will vary according to the types and number of features each customer requires. Once engaged, our customers can log in via its Huidianyun accounts and use relevant services as selected by them.

The Huidianyun service does not involve stationing of our technical staff at our customers’ office to provide technical support but we offer 24/7 online support on the Huidianyun services in case our customers encounter any problem in relation to the Huidianyun services.

SUBMISSION OF TENDERS

The following table sets out the number of tenders submitted and the respective success rate regarding our sale of Software Systems, provision of Technical Services and sale of hardware during the Track Record Period and up to the Latest Practicable Date:

	Year ended 31 March						Five months ended 31 August		The period between 1 September 2017 and the Latest Practicable Date	
	2015		2016		2017		2017		Number of tenders submitted	Success rate (%)
	Number of tenders submitted	Success rate (%)	Number of tenders submitted	Success rate (%)	Number of tenders submitted	Success rate (%)	Number of tenders submitted	Success rate (%)		
Sale of Software Systems	11	100.0	21	100.0	10	100.0	3	100.0	1	100
Provision of Technical Services	10	100.0	10	100.0	15	100.0	2	100.0	11	90.9
Sale of hardware	19	36.8	20	55.0	51	62.7	21	52.4	29	72.4

We have been selling Software Systems and providing Technical Services to our major customers, namely IMPG Group and SGCC Group, for more than five years. As part of our major marketing strategies, we have a total of 124 regional technical staff stationed in different areas in the PRC to be readily standby for our customers as at 31 August 2017. Through the communication between our regional technical staff who station at our customers’ office in different areas in the PRC and our customers, we are able to communicate more effectively with our customers and understand their needs. Our tender success rate in relation to our sale of Software Systems and our provision of Technical Services was 100% during the Track Record Period.

BUSINESS

MAJOR CONTRACT TERMS

The following table sets out the major contract terms for each of our business segments:

	Sale of Software Systems	Provision of Technical Services	Sale of hardware
Term	Ranging from approximately two months to two years	Approximately one year on average	Not applicable
Products/services	Type and specifications of Software Systems sold being stated in the project agreement	Type and content of the Technical Services provided, e.g. number and qualification/ experience of the required technical staff and the location that the required services shall be provided being stated in the project agreement	Type and quantity of hardware required by the customer being stated in the project agreement
Payment terms	<p>(i) approximately 30% upon execution of the project agreement in relation to our Software Systems;</p> <p>(ii) approximately 30% upon installation of Software Systems and performance of testing on Software Systems;</p> <p>(iii) approximately 30% upon one month from the official operation of the Software Systems; and</p> <p>(iv) remaining sum upon the first anniversary from the official operation of Software Systems.</p>	<p>Either:</p> <ul style="list-style-type: none"> • payable in full upon issuance of invoice; or • monthly payment of the costs incurred by our technical staff in respect of the services provided during the relevant month. 	<p>(i) approximately 90% of the contract sum to be payable upon satisfactory inspection of the hardware upon delivery to our customer; and</p> <p>(ii) approximately 10% of the contract sum to be payable upon expiration of the warranty period, i.e. the first anniversary from delivery of the hardware.</p>

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	Sale of Software Systems	Provision of Technical Services	Sale of hardware
Intellectual property right	All intellectual property rights derived from the performance of the project agreement shall belong to the customer	Not applicable	Not applicable

OUR MAJOR PROJECTS

The following tables set out the particulars of our major projects in our Software Systems and Technical Services that (i) were completed during the Track Record Period and up to the Latest Practicable Date; and (ii) in progress as at the Latest Practicable Date.

Completed projects

The following table sets out the particulars of our major projects in our sale of Software Systems and provision of Technical Services that were completed during the Track Record Period and up to the Latest Practicable Date:

Software Systems

Project name	Customer to which service is provided	Type of services	Duration between the date of agreement and the actual date of completion of the project (Note 1)	Project sum (approximate, in million) (Value added-tax inclusive)	Revenue recognised during the Track Record Period (approximate, in million)
內蒙古電力營銷智能費控系統軟件委託開發 (Development on selling and management software for electricity in Inner Mongolia)	IMPG Group	Software Systems	January 2012– July 2013	RMB11.75	RMB10.04
營銷移動終端查詢系統軟件 (Selling and management mobile enquiry software)	IMPG Group	Software Systems	January 2013– December 2013	RMB5.02	RMB4.29
營銷培訓系統升級改造 (Upgrade on selling and management training software)	IMPG Group	Software Systems	October 2015– March 2016	RMB5.35	RMB4.57

BUSINESS

Project name	Customer to which service is provided	Type of services	Duration between the date of agreement and the actual date of completion of the project (Note 1)	Project sum (approximate, in million) (Value added-tax inclusive)	Revenue recognised during the Track Record Period (approximate, in million)
營銷信息化建設升級 (Upgrade on selling and management informatisation)	IMPG Group	Software Systems	July 2015– December 2015	RMB9.80	RMB8.38
天津開發區居民智能電表更換項目(三期) — 軟件開發及配套設備購置項目 (Smart electric metering exchange programme for residents in developing area in Tianjin — research and development in software and purchase of ancillary hardware project)	Tianjin TEDA	Software Systems	April 2016– March 2017	RMB4.00	RMB3.42
鄂爾多斯電業局農電接入營銷系統軟件開發項目 (Rural access selling and management software development project in Ordos)	IMPG Group	Software Systems	September 2016– January 2017	RMB8.18	RMB7.72
呼和浩特供電局農電營銷信息系統接入項目 (Rural access to selling and management information systems project in Hohhot)	IMPG Group	Software Systems	December 2016– August 2017	RMB7.60	RMB6.50
錫林郭勒電業局農電營銷信息系統接入項目 (Rural access to selling and management information systems project in Xilingol) (Note 2)	IMPG Group	Software Systems	December 2016– September 2017	RMB23.50	RMB16.07
巴彥淖爾電業局農電營銷信息系統接入項目 (Rural access to selling and management information systems project in Bayannur)	IMPG Group	Software Systems	April 2017– June 2017	RMB9.47	RMB8.09

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Technical Services

Project name	Customer to which service is provided	Type of services	Duration between the date of agreement and the actual date of completion of the project (Note 1)	Project sum (approximate, in million)	Revenue recognised during the Track Record Period (approximate, in million)
電力業務信息平台模塊技術實施服務合同 (Contract regarding provision of implementation service for electric information platform)	Chinasoft Beijing	Technical Services	February 2013–December 2016	RMB26.46	RMB24.96
全國統一電力市場技術支撐平台項目—系統集成與平台部署實施 (A project regarding nationwide unified electric technology supporting platform — integration and installation of system)	SGCC Group	Technical Services	November 2014–August 2015	RMB11.22	RMB10.58
全國統一電力市場技術支撐平台項目—差異化開發及實施 (A project regarding nationwide unified electric technology supporting platform — differentiated development and installation)	SGCC Group	Technical Services	December 2015–December 2015	RMB13.22	RMB12.47
統一電力市場技術支撐平台項目—二期差異化開發及實施 (A project regarding nationwide unified electric technology supporting platform — second stage of differentiated development and installation)	SGCC Group	Technical Services	January 2016–March 2016	RMB12.98	RMB12.24
2016年營銷業務系統運維服務 (Maintenance of software systems in relation of electric power selling and management in 2016)	IMPG Group	Technical Services	January 2016–December 2016	RMB4.46	RMB4.21

BUSINESS

Project name	Customer to which service is provided	Type of services	Duration between the date of agreement and the actual date of completion of the project (Note 1)	Project sum (approximate, in million)	Revenue recognised during the Track Record Period (approximate, in million)
2017年內蒙營銷業務信息系統運維服 (Maintenance of software systems in relation to electric power selling and management in 2017)	IMPG Group	Technical Services	April 2017– December 2017	RMB5.47	RMB3.44

Notes:

1. The actual date of completion of the project being the date of acceptance receipt of completion of the project.
2. This project was completed in September 2017 (i.e. after the end of the Track Record Period) and the expected revenue to be recognised for the seven months ending 31 March 2018 amounted to approximately RMB4.02 million. Amount of revenue expected to be recognised in the seven months ending 31 March 2018 represents the amount we expect to receive under the terms of the contract if the contract is performed as agreed. Any delay or modification of a contract may affect the amount of revenue we actually recognised.

Projects in progress

The following table sets out the particulars of our major projects in our sale of Software Systems and provision of Technical Services which its implementation had commenced and were in progress as at the Latest Practicable Date:

Software Systems

Project name	Customer to which service is provided	Type of services	Expected duration (between the date of agreement and expected date of completion of the project) (Note 1)	Project sum (VAT inclusive) (approximate, in million)	Amount of revenue recognised during the Track Record Period (approximate, in million)	Expected amount of revenue to be recognised for the seven months ending 31 March 2018 (Note 2) (approximate, in million)	Expected amount of revenue to be recognised for the year ending 31 March 2019 (Note 3) (approximate, in million)
包頭供電局農電營銷信息系統接入項目 (Rural access to selling and management information systems project in Baotou)	IMPG Group	Software Systems	April 2017 - March 2018	RMB7.62	–	RMB6.51	–

BUSINESS

Project name	Customer to which service is provided	Type of services	Expected duration (between the date of agreement and expected date of completion of the project) <i>(Note 1)</i>	Project sum <i>(VAT inclusive)</i> <i>(approximate, in million)</i>	Amount of revenue recognised during the Track Record Period <i>(approximate, in million)</i>	Expected amount of revenue to be recognised for the seven months ending 31 March 2018 <i>(Note 2)</i> <i>(approximate, in million)</i>	Expected amount to be recognised for the year ending 31 March 2019 <i>(Note 3)</i> <i>(approximate, in million)</i>
烏蘭察布電業局農電營銷信息系統接入項目 (Rural access to selling and management information systems project in Ulanqab)	IMPG Group	Software Systems	April 2017 - March 2018	RMB18.60	-	RMB15.90	-

Technical Services

Project name	Customer to which service is provided	Type of services	Expected duration (between the date of agreement and expected date of completion of the project) <i>(Note 1)</i>	Project sum <i>(VAT inclusive)</i> <i>(approximate, in million)</i>	Amount of revenue recognised during the Track Record Period <i>(approximate, in million)</i>	Expected amount of revenue to be recognised for the seven months ending 31 March 2018 <i>(Note 2)</i> <i>(approximate, in million)</i>	Expected amount to be recognised for the year ending 31 March 2019 <i>(Note 3)</i> <i>(approximate, in million)</i>
天津泰達電力公司智能電錶業務系統運行維護 (Maintenance of Tianjin TEDA smart electricity metering system)	Tianjin TEDA	Technical Services	May 2017 - April 2018	RMB0.47	RMB0.31	RMB0.16	-
天津泰達電力公司客服三期運行維護 (Maintenance of Tianjin TEDA customer services Phase III)	Tianjin TEDA	Technical Services	Third quarter of 2017 to March 2018	RMB0.15	-	RMB0.14	-
泰達電力混改相關系統改造項目 (Tianjin TEDA electricity reform related software upgrade)	Tianjin TEDA	Technical Services	Third quarter of 2017 to March 2018	RMB0.38	-	RMB0.36	-

BUSINESS

Notes:

1. The expected date of completion of the project being the expected date of completion as set out in the agreement.
2. Amount of revenue expected to be recognised in the seven months ending 31 March 2018 represents the amount we expect to receive under the terms of the contract if the contract is performed as agreed. Any delay or modification of a contract may affect the amount of revenue we actually recognised.
3. Amount of revenue expected to be recognised for the year ending 31 March 2019 represents the amount we expect to receive under the terms of the contract if the contract is performed as agreed. Any delay or modification of a contract may affect the amount of revenue we actually recognised.

Other than the major projects in progress listed in the table above, we also had the following projects in progress as at the Latest Practicable Date:

1. we have been engaged by six new electric power retailing company customers for the provision of the Huidianyun services since November 2017. The projects are expected to be completed in the end of 2018. The aggregate expected revenue to be recognised for the seven months ending 31 March 2018 and the year ending 31 March 2019 for these projects amounted to approximately RMB55,500 and RMB82,500 respectively; and
2. we have been engaged by a software development company for the provision of Technical Services. The project is expected to be completed in March 2018. The contract sum of such project is RMB37,200 (VAT inclusive) and the expected revenue to be recognised for the seven months ending 31 March 2018 amounted to approximately RMB35,000.

Backlog

The following table sets out the rolling backlog of our Group's projects (representing projects that had been undertaken as at the dates stated below) by number and contract sum during the Track Record Period:

	As at 31 March 2014		During the year ended 31 March 2015		As at 31 March 2015		During the year ended 31 March 2016		As at 31 March 2016		During the year ended 31 March 2017		As at 31 August 2017		During the period between 1 September 2017 and the Latest Practicable Date		As at the Latest Practicable Date																
	No. of projects	Contract sum RMB'000	Completed	Newly entered/contracting	No. of projects	Contract sum RMB'000	Completed	Newly entered/contracting	No. of projects	Contract sum RMB'000	Completed	Newly entered/contracting	No. of projects	Contract sum RMB'000	Completed	Newly entered/contracting	No. of projects	Contract sum RMB'000															
Sale of Software Systems	6	817	16	7,733	11	12,005	1	5,089	20	21,108	21	16,889	2	870	10	42,835	10	52,478	2	10,513	2	14,590	3	30,294	3	26,427	1	17,682	2	32,033	4	40,778	
Provision of Technical Services (Note)	5	2,825	10	4,682	7	4,918	2	3,059	11	3,660	9	600	-	-	12	6,284	14	12,428	2	6,144	1	4,194	3	(38)	4	1,912	1	2,633	8	10,092	11	9,371	
Sales of hardware	-	-	22	6,992	22	6,992	-	-	31	5,369	31	5,369	-	-	60	18,884	60	18,884	-	-	-	24	2,254	24	2,254	-	-	43	10,803	43	10,803	-	-
Total	11	3,640	49	19,407	3	8,148	62	30,337	2	870	82	68,003	4	16,657	27	21,048	7	28,339	45	31,118	7	28,339	45	31,118	7	28,339	45	31,118	15	50,149			

Note: Payments under our Technical Services contracts with SGCC Group were ascertained on a monthly basis according to our Technical Services provided to SGCC Group (i.e. type and number of technical staff provided) during the relevant month. As a result, our Technical Services contracts with SGCC Group were not included in our Group's rolling backlog projects.

As at the Latest Practicable Date, we had a total of 15 projects with backlog (representing projects that had been undertaken as of the Latest Practicable Date). The outstanding contract sum of our Group's backlog projects as of the Latest Practicable Date was approximately RMB50.1 million, taking in account (i) the outstanding contract sum as at 31 August 2017; (ii) contracts newly entered from 1 September 2017 up to the Latest Practicable Date; and (iii) completed contracts from 1 September 2017 up to the Latest Practicable Date, in respect of sale of Software Systems and provision of Technical Services. The expected revenue to be recognised based on the contracts already entered into with our Group in respect of sale of Software Systems and provision of Technical Services in each of the six months ended 30 September 2017 and the six months ending 31 March 2018 were RMB23.3 million (including RMB18.8 million already recognised as revenue from 1 April 2017 and up to 31 August 2017) and RMB24.9 million, respectively, taking in account (i) the outstanding contract sum as at 31 March 2017; and (ii) contracts newly entered from 1 April 2017 up to the Latest Practicable Date in respect of sale of Software Systems and provision of Technical Services.

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The backlog projects of our Group of approximately RMB50.1 million as at the Latest Practicable Date include (i) 12 projects in respect of our sale of software systems and provision of Technical Services as listed in the paragraph headed “Projects in progress” above; and (ii) three projects in respect of our sale of Software Systems and provision of Technical Services which we have undertaken. The said three projects include one project for our sale of Software Systems to SGCC Group in relation to its electric power despatching systems. The contract sum (VAT inclusive) of such project amounted to approximately RMB1.77 million (RMB1.51 million if VAT exclusive) and it is expected to commence implementation in or around March 2018 and completed in or around August 2018. The revenue derived from this project is expected to be recognised during the year ending 31 March 2019.

The other two projects include (i) the sale of Software Systems; and (ii) provision of Technical Services to a local electric power grid company. To the best knowledge of our Directors, such local electric power grid company was at the stage of internal planning and budgeting for its information technology projects to be implemented for the calendar year of 2018 and they have invited our Group to submit budgeted proposal for the above projects. Although we have not been invited to submit a formal tender, based on our long working relationship with them, we have already commenced certain preliminary work for these projects during the fourth quarter in 2017. Based on our communication and previous experience with them in relation to similar projects, the formal tendering and bidding invitation to our Group and the signing of the project agreement will only be issued and/or executed once they have completed their internal planning and budgeting procedures. The above procedures were different from that of our other customers. Based on the information currently available to our Group, the contract sum (VAT inclusive) of the project in relation to our sale of Software Systems is estimated to be approximately RMB35.45 million (RMB30.30 million if VAT exclusive). It is expected that the formal tendering and bidding procedure for this project shall take place during the second quarter in 2018 and the execution of the project agreement shall take place during the third quarter in 2018. The contract sum (VAT inclusive) of the project in relation to provision of Technical Services is estimated to be approximately RMB9.36 million (RMB8.8 million of VAT exclusive). It is expected that formal tendering and bidding procedure for this project shall take place during the first quarter 2018 and the execution of the project agreement shall take place during the second quarter of 2018. Due to the reasons stated above, our Directors believe our Group would be invited to submit tenders for each of the above projects in the time stated above and our Group is confident that it would be awarded with such tenders. According to the CIC report, taking into account of the Single Source Procurement policy adopted by the local electric power grid company, it is highly probable that our Group would be awarded with such tenders. As such, the Sole Sponsor concurs with our Company and the industry expert that our Group would be awarded with the tenders of those projects.

Projects under tendering process

Demand of our Software Systems and our Technical Services is affected by seasonality. According to the CIC Report, electric power grid companies tend to make procurement plan and assess the qualification of potential suppliers in the first quarter of the year. As at the Latest Practicable Date, although we had only submitted one tender in relation to the sale of hardware, we were in the process of identifying potential projects with our customers in respect of our Software Systems and Technical Services.

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The following table sets out the particulars of the tender(s) that we have submitted and intend to submit as at the Latest Practicable Date:

Customer to which service is provided	Type of services	Status	Estimated contract sum (approximate, in million) (VAT inclusive)
<i>Project that is expected to be completed by 31 March 2018</i>			
IMPG Group	Sale of hardware	Submitted tender (Note 1)	RMB0.4 (Note 2)
<i>Projects that are expected to be completed by 31 March 2019</i>			
SGCC Group	Software Systems	Identified potential project and tender expected to be submitted during first half of 2018	RMB0.8 (Note 3 and 4)
SGCC Group	Technical Service	Identified potential project and tender expected to be submitted during first half of 2018	RMB19.0 (Note 3 and 5)
New customer	Software Systems	Identified potential project and tender expected to be submitted during first half of 2018	RMB1.8 (Note 3)
Tianjin TEDA	Software Systems	Identified potential project and tender expected to be submitted during first half of 2018	RMB2.0 (Note 3)

Notes:

1. It is expected that our Group will be informed of the tenders results in mid-February 2018. Based on our past experience and business relationship with IMPG Group, our Directors believe that it is likely for us to succeed in such tendering process and obtain such contract as the hardware procured is to be used to supplement the operation of IMPG's Group electric power selling and management Software Systems which were developed and maintained by our Group and thus our Group has better understanding on the hardware required to enquire compatibility and we have provided similar type of hard ware for IMPG Group in the past.

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2. Should such tender be awarded to our Group, it is expected that we would enter into the relevant agreement with IMPG Group before the end of February 2018, deliver relevant hardware and recognise the revenue of such sale of hardware in the year ending 31 March 2018.
3. Should such tender be awarded to our Group, it is expected that we would enter into a project agreement with the relevant customer during the year ending 31 March 2019 and recognise the revenue of such projects in the year ending 31 March 2019.
4. The estimated contract sum is derived from the information currently available to the management of our Group.
5. Since such project is related to Technical Services in relation to electric power exchange, customers for such services are required to pay monthly costs incurred by our technical staff in respect of such services provided during the relevant period. As such, the contract sum of this project could not be quantified as at the Latest Practicable Date. Such estimated sum of approximately RMB19.3 million for the year ending 31 March 2019 is calculated based on our working experience with SGCC Group and our understanding of their needs in respect of electric power exchange.

In addition, in respect of sale of hardware, save as disclosed above, we have not identified other tender as at the Latest Practicable Date. Based on our past experience in respect of our sale of hardware, it is expected that we would enter into contract(s) with our customers for our sale of hardware with an estimated sum of approximately RMB19.2 million for the year ending 31 March 2019.

SALES AND MARKETING

We have a sales and marketing department with eight employees as at 31 August 2017. As we obtain most of our business through tender process, we do not rely heavily on promotional activities. We have built up our customer base by solid track records and reputation in the industry. Our sales and marketing staff is mainly responsible for the overall supervision of a sales cycle, which includes, communicating with our customers at different stages of a project, coordinating workflow, issuing invoices and monitoring settlement of payment. In light of more potential customers will enter into the electric power selling and management system industry in the future as a result of the implementation of the New Reform and also the introduction of Energy Interconnection in the PRC, we intend to expand the size of our sales and marketing team and participate in promotional events organised by our industry players in the future to further enhance our reputation and customer base.

We consider our responsive after-sale technical services to be one of our major marketing strategies as we understand the importance of 24-hour smooth operation of our Software Systems and our Technical Services as we comprehend that failure or malfunction of any electric power selling and management software system or sub-system may lead to non-timely provision of services to our customers. Although we do not have any regional offices, we have regional technical staff stationed in different areas in the PRC (i) to be designated to the office of our customers for provision of Technical Services; and (ii) to provide after-sale technical support to our customers, who may require our technical staff to encounter technical problems on an urgent basis. Our regional technical staff who station at our customers' office in different areas in the PRC, through communication with our customers, can understand their needs and seek business opportunities.

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The following map sets forth a breakdown of our regional technical staff stationed at respective locations across China as at 31 August 2017:



Pricing policy

Our pricing is, to a large extent, affected by the tenders offered by our customers since the cost analysis in our bidding proposal has to be in line with the requirements and within the budget of our customers.

When we estimate our cost for a project, we will take into account of a number of factors such as the complexity of our Software Systems and our Technical Services to be provided, expected manpower required to perform such service, timeline and location of the project, cost estimates for equipment or materials required. We determine our pricing primarily on the basis of the above factors, with appropriate consideration given to the credit record of specific customers plus a benchmark minimum margin that we consider to be acceptable to our Group. On some occasions, we may offer a bid with a margin lower than our benchmark minimum margin for strategic reasons such as the size or reputation of the project, potential for recurring businesses, etc.. During the Track Record Period and up to the Latest Practicable Date, we did not have any loss making project contracts.

Regarding our pricing for our sale of hardware, we set our price by adding a benchmark minimum margin to the cost of procuring the relevant products. On some occasions, for products which do not require assembly of components or installation of our software therein or when there are strategic reasons such as size of the project, business relationship with the relevant customer(s), etc., we may offer a bid with a margin lower than our benchmark minimum margin.

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Regarding our Huidianyun services, the current provision of Huidianyun services is based on a subscription fee model, where our electric power retailing company customers are required to pay an annual subscription fee for the access and use of our services within the prescribed period of time and the annual subscription will vary according to the types and number of the features each customer requires. Customers are not required to pay one-off initial software development costs as required in the case of our sale of Software Systems.

Credit policy

In relation to our sale of Software Systems, we usually grant a credit period ranging from 10 to 80 days upon each of (i) execution of the project agreement; (ii) installation of Software Systems and performance of testing; and (iii) one month from the commencement of official operation of Software Systems. Regarding the payment of retention money, which is normally approximately 10% of agreement sum, we usually grant a credit period of 7 days after the first anniversary from the official operation of Software Systems.

In relation to our provision of Technical Services, we usually grant a credit period ranging from 10 to 45 days after the issuance of invoices to our customers.

In relation to the sale of hardware, we usually grant a credit period ranging from 30 to 120 days after the issuance of invoices to our customers upon the satisfaction of the quality control inspection results on such products.

Demand for our Software Systems and our Technical Services is affected by seasonality. More contracts are normally entered into during the period from October to December. According to the CIC Report, power grid companies tend to make procurement plan and assess the qualification of potential suppliers in the first quarter of the year, and enter the stage of discussion and negotiation with the candidates on technology and commercial terms in the second quarter. Project agreements are usually executed in the third and fourth quarters.

In relation to our provision of Huidianyun services, we usually grant a credit period of 3 days after the issuance of invoices to our customers.

Payment

For work that we provide to our customers on project basis, payment terms and schedules are usually set out in the tender offers of our customers and are agreed upon and incorporated into the relevant project agreement(s) entered into in respect of the project. Contract sums are usually payable by our customers by instalments at different stages of the project. Depending on the expected duration and value of the project, part-payment may be payable at completion of different stages of the project and when stage-payment is payable, payment may be made after certain deliverables are available or certain milestones are reached.

A majority of the contract sum, usually up to 90%, will be paid upon completion and acceptance of the relevant work or product by our customers, subject to any retention money which will be withheld by customers until expiry of the operating maintenance period or warranty period for such project or product, which is usually one year from the official operation of the software system or delivery of the relevant product.

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Regarding our provision of Huidianyun services, customers shall pay the full amount of the annual subscription fee upon the signing of the contracts.

OUR CUSTOMERS

In the value chain of China's electric power industry, electric power, in general, is generated from electric power generation companies and then being transmitted and distributed to electricity users by electric power grid companies and the electric power retailing companies. As there is (i) continuous demand from electric power grid companies and electric power retailing companies for information technology services and the relevant upgrading and maintenance services to control and manage transmission and distribution of electric power automatically and more efficiently; and (ii) electric power exchange platform is promoted as a result of the New Reform to facilitate trading of electricity for various market participants in the electric power industry, such as electric power grid companies, electric power retailing companies and electricity users, our customers are mainly electric power grid companies and electric power retailing companies.

We do not have long-term contractual arrangements with our customers, as our contracts for our Software Systems, Technical Services and sale of hardware are mostly obtained on project basis through tender process. We believe such arrangement is consistent with market practice. During the Track Record Period, our five largest customers include IMPG Group, SGCC Group, Tianjin TEDA and two electric power software systems solution providers.

Due to the size of operation and coverage of geographical areas of SGCC Group and CSG, historically they have been engaging various service providers. Their own affiliate companies are in the leading positions with relatively large market shares of the electric power selling and management system market. For example, according to the CIC Report, Beijing Zhongdian Puhua Information Technology Company Limited and NARI Technology Co., Ltd. are affiliate companies of SGCC Group, accounting for approximately 35.1% and 28.0% of the total market size in 2016, respectively. Yunnan Yundiantongfang Technology Co., Ltd. is an affiliate company of CSG and accounted for 2.5% of total market size in 2016. Other than SGCC Group's and CSG's own affiliate companies, there is no single dominating participant in the market and each accounts for a relatively small portion of the total market share. We were one of the leading independent companies providing electric power selling and management systems for electric power grid companies with a market share of approximately 2.2% in 2016. Meanwhile, our Group has been mainly focusing on providing electric power selling and management systems to local electric power grid companies, including IMPG Group, which require services from electric power selling and management system providers, during the Track Record Period. According to the CIC Report, we ranked first among the electric power selling and management system providers for local electric power grid companies in terms of revenue in 2016, with a market share of approximately 54.4%. According to the CIC Report, the market size of local electric power grid companies in terms of revenue amounted to approximately RMB70.2 million in 2016, accounted for approximately 3.6% of the overall market share.

BUSINESS

The following table sets out certain basic information regarding our top five customers for each of the three years ended 31 March 2017 and the five months ended 31 August 2017:

Five months ended 31 August 2017

Customer	Principal business activities	Type of works principally undertaken by us	Business with our customer commenced since	Payment method	Approximate revenue derived from customer <i>RMB'000</i>	Approximate percentage of our total revenue %
IMPG Group	Operating the IMPG Grid	Software Systems, technical Services and hardware	2011	Telegraphic transfer	19,069 <i>(Note 1)</i>	69.82%
SGCC Group	Operating the SGCC Grid	Technical Services	2012	Telegraphic transfer	6,251 <i>(Note 2)</i>	22.89%
准格爾旗潤達商貿有限公司 (Jungar Banner Runda Commerce Company Limited*)	Sale of hardware	Hardware	2017	Telegraphic transfer	538	1.97%
Tianjin TEDA	Operating electric power grid at county level	Software Systems	2011	Telegraphic transfer	567	2.07%
深圳市康拓普資訊技術有限公司 (Shenzhen City Comcop Information Technology Company Limited*)	A software systems solution provider	Software Systems	2017	Telegraphic transfer	433	1.59%

* *For identification purpose only*

Notes:

1. Aggregating all revenue derived from our sale of Software Systems, our provision of Technical Services and sale of hardware to various members of IMPG Group during the five months ended 31 August 2017.
2. Aggregating all revenue derived from our provision of Technical Services to various members of SGCC Group during the five months ended 31 August 2017.

BUSINESS

Year ended 31 March 2017

Customer	Principal business activities	Type of works principally undertaken by us	Business with our customer commenced since	Payment method	Approximate revenue derived from customer <i>RMB'000</i>	Approximate percentage of our total revenue %
IMPG Group	Operating the IMPG Grid	Software Systems, Technical Services and hardware	2011	Telegraphic transfer	48,982 <i>(Note 1)</i>	56.08
SGCC Group	Operating the SGCC Grid	Technical Services	2012	Telegraphic transfer	20,843 <i>(Note 2)</i>	23.86
新疆國能智業電力科技有限公司 (Xinjiang Guonan Zhiye Electric Power Technology Company Limited*)	Sale of hardware	Software Systems, Technical Services and hardware	2016	Telegraphic transfer	8,574	9.82
Tianjin TEDA	Operating electric power grid at county level	Software Systems	2011	Telegraphic transfer	5,768	6.60
北京北岳偉業數碼科技有限公司 (Beijing Beiyue Weiye Digital Technology Company Limited*)	Sale of security related software systems	Hardware	2016	Telegraphic transfer	755	0.86

* *For identification purpose only*

Notes:

1. Aggregating all revenue derived from our sale of Software Systems, our provision of Technical Services and sale of hardware to various members of IMPG Group during the year ended 31 March 2017.
2. Aggregating all revenue derived from our provision of Technical Services to various members of SGCC Group during the year ended 31 March 2017.

BUSINESS

Year ended 31 March 2016

Customer	Principal business activities	Type of works principally undertaken by us	Business with our customer commenced since	Payment method	Approximate revenue derived from customer <i>RMB'000</i>	Approximate percentage of our total revenue %
IMPG Group	Operating the IMPG Grid	Software Systems, Technical Services and hardware	2011	Telegraphic transfer	25,217 <i>(Note 1)</i>	42.71
SGCC Group	Operating the SGCC Grid	Technical Services	2012	Telegraphic transfer	20,632 <i>(Note 2)</i>	34.94
Chinasoft Beijing	A software systems solution provider	Technical Services	2012	Telegraphic transfer	9,060	15.34
北京新鴻基瑞程科技有限公司 (Beijing Xinhongji Rui Cheng Technology Company Limited*)	Sale of electric metering equipment and related software	Software Systems	2015	Telegraphic transfer	1,853	3.14
北京信普達系統工程有限公司 (Beijing Xinpuda System Engineering Company Limited*)	An electric power software systems solution provider	Software Systems	2015	Telegraphic transfer	1,627	2.76

* *For identification purpose only*

Notes:

1. Aggregating all revenue derived from our sale of Software Systems, our provision of Technical Services and sale of hardware to various members of IMPG Group during the year ended 31 March 2016.
2. Aggregating all revenue derived from our provision of Technical Services to various members of SGCC Group during the year ended 31 March 2016.

BUSINESS

Year ended 31 March 2015

Customer	Principal business activities	Type of works principally undertaken by us	Business with our customer commenced since	Payment method	Approximate revenue derived from customer <i>RMB'000</i>	Approximate percentage of our total revenue %
SGCC Group	Operating the SGCC Grid	Technical Services and hardware	2012	Telegraphic transfer	16,835 <i>(Note 1)</i>	35.15
IMPG Group	Operating the IMPG Grid	Software Systems, Technical Services and hardware	2011	Telegraphic transfer	12,849 <i>(Note 2)</i>	26.82
Chinasoft Beijing	A software systems solution provider	Technical Services	2012	Telegraphic transfer	12,448	25.99
Tianjin TEDA	Operating electric power grid at county level	Software Systems and hardware	2011	Telegraphic transfer	4,769	9.96
山西西屋電氣有限公司 (Shanxi Xiwu Electric Company Limited*)	An electric power software systems solution provider	Software Systems	2014	Telegraphic transfer	342	0.71

* *For identification purpose only*

Notes:

1. Aggregating all revenue derived from our provision of Technical Services and sale of hardware to various members of SGCC Group during the year ended 31 March 2015.
2. Aggregating all revenue derived from our sale of Software Systems, our provision of Technical Services and sale of hardware to various members of IMPG Group during the year ended 31 March 2015.

Save as our Founding Shareholders who were collectively indirectly interested in approximately 0.23% of the issued shares of a company whose shares are listed on the Main Board of the Stock Exchange, which wholly owned Chinasoft Beijing as at the Latest Practicable Date, none of our Directors or any of their respective associates or, to the knowledge of our Directors, shareholders who own more than 5% of our issued share capital as at the Latest Practicable Date, had any interest in any of our five largest customers during the Track Record Period.

BUSINESS

During the Track Record Period, there was an increase in our sales to IMPG Group, in particular, our sales to IMPG Group accounted for approximately 26.82% of our revenue for the year ended 31 March 2015, which increased to approximately 42.71% of our revenue for the year ended 31 March 2016, and further increased to approximately 56.08% for the year ended 31 March 2017 and approximately 69.82% for the five months ended 31 August 2017. Such increases were mainly attributable to continuous and stronger demand from IMPG Group for information and software services in relation to electric power selling and management since the year ended 31 March 2015. For further details regarding the reasons for such increases in our sales to IMPG Group, please refer to the paragraph headed “Period to period comparison of results of operation” under the section headed “Financial information” of this prospectus.

Through our established business relationship with our customers, we are able to gain further insights into our customers’ requirements as well the development trend of electric power selling and management system industry in the PRC, which in turn help us develop our software systems and design our expansion plans more effectively. We also plan to actively participate in tender offered by existing and potential customers. We will continue to strengthen our marketing efforts in the PRC.

Reliance on major customers

For the three years ended 31 March 2017 and the five months ended 31 August 2017, our five largest customers in aggregate accounted for approximately 98.63%, 98.89%, 97.23% and 98.35% respectively of our total revenue, and sales to our largest customer accounted for approximately 35.15%, 42.71%, 56.08% and 69.82% of our total revenue respectively. Both SGCC Group and IMPG Group were the top two largest customers of our Group for the year ended 31 March 2017. Our Group entered into standalone agreements with individual members of each of the SGCC Group and IMPG Group. Our business relationship with IMPG Group commenced in 2011 in design, development, implementation and maintenance of Software Systems for the IMPG Group. Our business relationship with SGCC Group commenced in 2012 in the outsourcing services by providing technical staff to SGCC Group. During the Track Record Period, we only provided Technical Services and sold hardware to SGCC Group. Our accumulative established business relationship with each of SGCC Group and IMPG Group would enhance our cooperation in the future. However, despite our accumulative established business relationship with each of SGCC Group and IMPG Group, there remains the possibility that either SGCC Group or IMPG Group or both of them will not cooperate with us in the future.

According to the CIC Report, China’s electric power grid is operated by two cross provincial power grid companies, namely SGCC Group and CSG, and one local electric power grid company, namely IMPG Group. Historically, prior to the implementation of the New Reform, electricity could only be transmitted and distributed through limited numbers of electric power grid companies.

BUSINESS

SGCC Group and IMPG Group spread across different areas in China (e.g. Heilongjiang, Fujian, Sichuan, Tibet and Xinjiang Provinces) and the west Inner Mongolia, respectively, and they are operated and managed by separate independent entities. Historically, the management and operation of nearly all of the power grids in the PRC are concentrated in three state-owned electric power grid companies, namely SGCC Group, IMPG Group and CSG. Given these state-owned electric power grid companies had been the only major companies that transmit and distribute electric power in the PRC prior to the implementation of the New Reform, they were then the only major potential electric power grid companies that required our Software Systems and Technical Services. Thus, there was a notable concentration in our customer base. During the Track Record Period, a majority part of our revenue derived from IMPG Group and SGCC Group. According to the CIC Report, major customers of electric power software and information provider are electric power grid companies. To the best of the Directors' knowledge and belief, reliance on a few major customers is common for electric power software and information providers historically. Please refer to the sub-paragraph headed "We rely on a few customers and our financial performance depends on their performance and demand for our services" under the paragraph headed "Risks relating to our business" under the section headed "Risk factors" in this prospectus for further details regarding our potential customer concentration risk.

However, with the promulgation of the New Reform, electric power retailing companies are permitted to be established since 2015 to purchase and re-sell electricity. According to the CIC Report, the total number of registered electric power retailing companies increased dramatically from approximately 270 in February 2016 to approximately 3,512 in December 2016. As electric power selling and management system can be regarded as a necessity for the operation of electric power retailing service, according to the CIC Report, the penetration rate of electric power selling and management system among the electric power retailing companies is expected to continue to grow between 2017 and 2021.

Since our Software Systems and Technical Services can be applied to electric power exchange platforms for various market participants in the electric power industry in the PRC, namely electric power grid companies, electric power retailing companies and electricity purchasers, having considered the (i) dramatic increase in the number of electric power retailing companies as a result of the promulgation of the New Reform; and (ii) 35 provincial level electric power exchange centres and platforms have been established by the end of 2017, we aim at reducing our reliance on our top five customers gradually in the future with the expected increasing number of local electric power grid companies and electric power retailing companies, in the PRC. We plan to reduce our reliance on our major customers by expanding our customer base by approaching new local electric power grid companies and electric power retailing companies emerging from the New Reform. It is expected that the market size of electric power retailing companies would account for approximately 33.9% to the overall market size in 2021. For further details regarding the market size of electric power selling and management system for electric power retailing companies in the PRC, please refer to the sub-paragraph headed "Market size of electric power selling and management system in the PRC" under the paragraph headed "Electric power software and information service industry" under the section headed "Industry overview" of this prospectus.

BUSINESS

During the Track Record Period, we had one electric power retailing company as our customer. Though the New Reform was introduced and implemented in 2015, many electric power retailing companies were only established in 2016, and a lot of them may have not yet commenced commercial operation. The following table sets out the revenue and gross profit contribution to our Group derived from our sale of Software Systems, provision of Technical Services and sale of hardware to such customer during the Track Record Period:

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	(RMB'000)	(%) ^(Note)	(RMB'000)	(%) ^(Note)	(RMB'000)	(%) ^(Note)	(RMB'000)	(%) ^(Note)	(RMB'000)	(%) ^(Note)
Revenue	4,769	10.0	490	0.8	5,768	6.6	3,758	6.6	566	2.1
Gross profit	635	2.8	143	0.5	1,557	3.9	1,031	11.4	164	1.3

Note: The percentage of the revenue or gross profit (where applicable) against our total revenue or gross profit (where applicable).

As more electric power retailing companies commenced its commercial operations and with our continuous effort in the research and development in the areas of electric power exchange, we had been newly engaged by six electric power retailing companies established due to the implementation of the New Reform up to the Latest Practicable Date for our Huidianyun services. For further details regarding our expansion plans with new electric power retailing companies, please refer to the sub-paragraph headed “Expand our customer base” under the paragraph headed “Our strategies” and the sub-paragraph headed “Potential market opportunity brought by the New Reform” under the paragraph headed “Sustainability of our business” in this section.

Overlapping customers-suppliers

During the Track Record Period, there were three Customers-Suppliers which are companies that are principally engaged in the sale of electric metering equipment and related software, the sale of electric power dispatching related software and the sale of hardware, respectively. One of the Customers-Suppliers is one of our five largest customers as well as one of our five largest suppliers for the year ended 31 March 2016. Our Directors confirmed that all of our sales to and purchases from our Customers-Suppliers were incidental transactions, were not inter-conditional, inter-related or otherwise considered as one transaction and did not involve the same products/services. To the best of our Directors’ knowledge and belief, all of our Customers-Suppliers are Independent Third Parties and none of our Group’s Customers-Suppliers have any past or present relationships with our Group, shareholders, Directors, senior management, employees or their respective associates during the Track Record Period and up to the Latest Practicable Date.

According to the CIC Report, it is a market practice for small-to-medium size electric power selling and management software system providers in China to have overlapping customer and supplier. Such business relationship typically exists between hardware providers and software providers, because they produce their own products by leveraging counterparty’s products, or integrate counterparty’s products as a part of their own final products.

BUSINESS

Our Directors confirmed that all of our sales to our Customers-Suppliers were conducted in the ordinary course of business under normal commercial terms and on arm's length basis. The following table sets out the total sale and total purchases attributable to our three Customers-Suppliers for the periods indicated:

	Year ended 31 March			Five months ended 31 August
	2015 <i>(RMB'000)</i>	2016 <i>(RMB'000)</i>	2017 <i>(RMB'000)</i>	2017 <i>(RMB'000)</i>
Sale to Customers-Suppliers				
(a) Customer-Supplier A (as defined below)				
– Revenue	—	1,853	463	—
– Percentage of our Group's total revenue	N/A	3.1%	0.5%	—
– Gross profit margin	N/A	70.0%	61.0%	—
(b) Customer-Supplier B (as defined below)				
– Revenue	—	1,627	407	—
– Percentage of our Group's total revenue	N/A	2.8%	0.5%	—
– Gross profit margin	N/A	63.0%	64.4%	—
(c) Customer-Supplier C (as defined below)				
– Revenue	—	—	140	—
– Percentage of our Group's total revenue	N/A	N/A	0.2%	—
– Gross profit margin	N/A	N/A	69.3%	—
Purchases from Customers-Suppliers				
(a) Customer-Supplier A				
– Total purchases	—	443	—	—
– Percentage of our Group's total purchases	N/A	8.4%	N/A	—
(b) Customer-Supplier B				
– Total purchases	—	—	1,357	—
– Percentage of our Group's total purchases	N/A	N/A	6.7%	—
(c) Customer-Supplier C				
– Total purchases	—	—	986	—
– Percentage of our Group's total purchases	N/A	N/A	4.9%	—

BUSINESS

We engaged one of our Customers-Suppliers (“**Customer-Supplier A**”) (being 北京新鴻基瑞程科技有限公司 (Beijing Xinhongji Rui Cheng Technology Company Limited*), one of our top five customers during the year ended 31 March 2016 and Supplier C, one of our top five suppliers for the year ended 31 March 2016) for the provision of ancillary features of our Software Systems, namely wireless electric metering software, which we used such software system as part of our Software Systems provided to IMPG Group during the Track Record Period. The Customer-Supplier A was also our customer during the Track Record Period for our sale of Software Systems regarding electric data collection and control, of which the functions and usage are different from those of wireless electric metering software. To the best of our Directors’ knowledge and belief, the Customer-Supplier A purchased such Software Systems from us since it has expanded its business in providing electric power selling and management system to utility companies and was intended to use in their self-invented consolidated water, electricity and gas utility enquiry system, which is targeted to provide to the utility companies instead of to electric power generation companies or electric power grid companies. To the best of our Directors’ knowledge and belief, the Customer-Supplier A usually sells electric power selling and management software together with their hardware and equipment to their target customers, which differ from the target customers of our Group.

We engaged one of our Customers-Suppliers (“**Customer-Supplier B**”) for the provision of workflow management software, which we used such software system as part of the workflow management of our Software Systems in relation to electric power selling and management provided primarily to IMPG Group. The Customer-Supplier B was also our customer during the Track Record Period for our sale of the electric power exchange market operating related Software Systems, which, to the best of our Directors’ knowledge and belief, were intended to be applied to its electric power despatching related software which were supplied to, among others, SGCC Group, in order to improve its management on electric power despatching. The functions and usage of such electric power despatching related software are different from our electric power sale and management and electric power related Software Systems.

We engaged one of our Customers-Suppliers (“**Customer-Supplier C**”) during the Track Record Period. On one hand, we supplied card reading machine to Customer-Supplier C and they would apply these card reading machine to their automatic payment machine to be sold to their customers. On the other hand, we, as the exclusive sales agent of the automatic payment machine in the Inner Mongolia region of Customer-Supplier C, purchased such automatic payment machine from Customer-Supplier C and sold them to Group and other customers of our Group, which did not overlap with the target customers of the automatic payment machine of Customer-Supplier C.

Based on the reasons set out above, we believe that there shall be no competition between our Customers-Suppliers and us.

OUR SUPPLIERS

We procure components and/or equipment and/or software required for our Software Systems, our Technical Services and our products on a project-by-project basis based on the specifications and requirements set out by our customers, therefore we did not have high level of inventory during the Track Record Period. Our main procurement items include (i) components and equipment for our sale of hardware; and (ii) software and hardware used in our Software Systems such as video conference software and electronic map. We generally source our main procurement items from third party suppliers that are based in the PRC. When selecting our suppliers, we usually consider various factors including quality, price, after-sale services, delivery terms and payment terms. We do not have a formal tendering process for choosing suppliers.

BUSINESS

In addition, if (i) there is a tight project schedule; or (ii) we have insufficient manpower in providing our Software Systems, we engage third party suppliers that are based in the PRC to provide software technicians to work for us as addition manpower during a specified period of time. We generally require software technicians from our third party supplier to attend our training, and we will engage them as additional manpower when they have passed our internal examination.

During the Track Record Period, our five largest suppliers mainly include suppliers of hardware and ancillary software for our Software Systems. For the three years ended 31 March 2017 and the five months ended 31 August 2017, aggregate purchase from our top five suppliers accounted for approximately 53.29%, 65.01%, 47.89% and 82.81% of our total purchases respectively, while the largest supplier accounted for approximately 17.04%, 22.92%, 16.43% and 26.87% of our total purchases respectively.

The following table sets out certain basic information regarding our top five suppliers for each of the three years ended 31 March 2017 and the five months ended 31 August 2017:

Five months ended 31 August 2017

Supplier	Principal business activities	Type of goods or services procured by us	Business with our supplier commenced since	Payment method	Approximate purchase derived from supplier <i>RMB'000</i>	Approximate percentage of our total purchase %
Supplier M	Provision of hardware	Hardware	2016	Telegraphic transfer	446	26.87
Supplier N	Provision of ancillary system and hardware	Hardware	2017	Telegraphic transfer	302	18.17
Supplier O	Provision of ancillary system and hardware	Hardware	2016	Telegraphic transfer	271	16.30
Supplier P	Provision of ancillary system and hardware	Hardware	2016	Telegraphic transfer	180	10.81
Supplier Q	Provision of ancillary system and hardware	Hardware	2016	Telegraphic transfer	177	10.66

BUSINESS

Year ended 31 March 2017

Supplier	Principal business activities	Type of goods or services procured by us	Business with our supplier commenced since	Payment method	Approximate purchase derived from supplier <i>RMB'000</i>	Approximate percentage of our total purchase %
Supplier J	Provision of ancillary system and hardware	Hardware	2016	Telegraphic transfer	3,333	16.43
Supplier K	Provision of ancillary system and hardware	Hardware	2016	Telegraphic transfer	2,733	13.47
Supplier L	Provision of ancillary system and hardware	Hardware	2016	Telegraphic transfer	1,460	7.20
Supplier D	Provision of ancillary system	Ancillary system to our Software Systems	2014	Telegraphic transfer	1,100	5.42
Supplier B	Provision of ancillary system	Ancillary system to our Software Systems	2015	Telegraphic transfer	1,088	5.36

Year ended 31 March 2016

Supplier	Principal business activities	Types of goods or services procured by us	Business with our supplier commenced since	Payment method	Approximate purchase derived from supplier <i>RMB'000</i>	Approximate percentage of our total purchase %
Supplier A	Manufacturing of electric power and management related products	Payment machine	2016	Telegraphic transfer	1,206	22.92
Supplier B	Provision of ancillary system	Ancillary system to our Software Systems	2015	Telegraphic transfer	904	17.18
Supplier C	Manufacturing of electric metering equipment and related software	Wireless electric metering machine	2015	Telegraphic transfer	443	8.41
Supplier D	Provision of ancillary system	Ancillary system to our Software Systems	2014	Telegraphic transfer	440	8.36
Supplier E	Provision of ancillary system	Ancillary system to our Software Systems	2015	Telegraphic transfer	428	8.13

BUSINESS

Year ended 31 March 2015

Supplier	Principal business activities	Types of goods or services procured by us	Business with our supplier commenced since	Payment method	Approximate purchase derived from supplier <i>RMB'000</i>	Approximate percentage of our total purchase %
Supplier F	Provision of ancillary system	Ancillary system to our Software Systems	2013	Telegraphic transfer	1,096	17.04
Supplier G	Provision of ancillary system and hardware	Ancillary system to our Software Systems	2013	Telegraphic transfer	769	11.96
Supplier D	Provision of ancillary system	Wireless electric metering software	2014	Telegraphic transfer	574	8.93
Supplier H	Provision of ancillary system	Ancillary system to our Software Systems	2013	Telegraphic transfer	538	8.37
Supplier I	Provision of ancillary system	Ancillary system to our Software Systems	2014	Telegraphic transfer	449	6.98

None of our Directors or any of their respective associates, or to the knowledge of our Directors, shareholders who owns more than 5% of our issued share capital as at the Latest Practicable Date, had any interests in any of our five largest suppliers during the Track Record Period.

In general, our suppliers offer us credit terms ranging from 5 to 45 days from the date of relevant invoices to settle the purchase price.

QUALITY CONTROL

Our technical staff is also responsible for quality control process. In respect of our sale of Software Systems, we generally provide an operating maintenance period of one year from the acceptance of completion of the project by our customers. During the operating maintenance period, we shall be responsible to rectify any malfunctioning or ineffectiveness of our Software Systems due to defects in the design and engineering of the software systems in accordance with the terms of the relevant project contract and we shall take remedial measures such as replacement services upon receipt of notification from our customers.

In respect of our provision of Technical Services, we ensure the quality of our services are up to the standard of our customers through having (i) our technical staff who are responsible for their project being interviewed by our customers before they are deployed to station at their office; and (ii) our technical staff being timely replaced by our other technical staff, if the quality of the services provided by our former technical staff is not satisfactory to our customers.

BUSINESS

We understand that the importance of 24-hour smooth operation of our Software Systems and our Technical Services as we understand that failure or malfunction of any electric power selling and management software system or sub-system may lead to non-timely provision of services to our customers. Striving to offer the best quality service to our customers, we set up 24-hour technical support hotlines which enable us to be readily accessible to our customer in case of any emergency issues. We undertake to respond to our customers' enquiry on a timely basis. Depending on the terms of the project contract, we will also provide "on-site" technical training programmes and training manuals in relation to the operation and maintenance of the software system as well as complementary regular system upgrade services to our customers. Further, progress reviews and discussions are held regularly between our customers and our Group to keep track on our work and to solve problems encountered during the execution of the project agreements. We did not have any warranty provision or warranty expenses recognised during the Track Record Period in respect of our liability and obligations during the operating maintenance period. Our Directors consider that no provision for warranty is required for ongoing projects based on the historical experience that minimal expenses were incurred during the operating maintenance period of the completed projects.

In respect of our sale of hardware, we provide a warranty period to our customers back-to-back to those provided by our suppliers, which ranges from one to three years from the date of initial inspection of such hardware. Should there be any defects in the hardware provided by us, we should provide assistance to our customers to liaise with our suppliers in relation to such defect.

We have been accredited with ISO 9001 quality management system certification by the China Quality Mark Certification Group in respect of our quality management. ISO 9001 is maintained by International Organisation for Standardisation, and is administrated by accreditation and certification bodies. Our certification to ISO 9001 standard certifies that (i) we are able to provide services that meet customer and applicable statutory and regulatory requirements consistently; and (ii) we aim to enhance customer satisfaction through effective application of system, including processes for improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements.

During the Track Record Period, we had not received any complaints from our customers regarding the quality of our services or products which are material in nature.

INVENTORY CONTROL

Our inventory mainly consists of Software Systems under development including technical know-how and research and development, software systems, equipment, components and spare parts for our Software Systems.

As our contracts with our customers are generally on project basis, we generally procure components and equipment required for our customers on a project-by-project basis. Under our inventory control policy, we minimise our inventory level by arranging delivery of components and equipment to our customers directly when installation of our software systems therein is not required. Hence, the nature of our business does not require us to keep a large inventory.

No provision for obsolete inventories was made during the Track Record Period.

RESEARCH AND DEVELOPMENT

Our Directors consider that strong research and development capability is important to ensure our success and our ability to develop Software Systems and to provide Technical Services to meet the requirements of our customers. Strong research and development capability also enables us to continue to upgrade our existing Software Systems in response to changes in technological development.

Our core-competence, ARSP, is a manifestation of our research and development capabilities. The platform comprises different kinds of software components with functions covering the entire electric power selling and management value chain, ranging from data collection and monitoring, customer services, billing and payment as well as administration in relation to electric power selling and management. The capabilities and abundance of functionalities of our ARSP enable us to design and implement tailor-made Software Systems through selecting appropriate software components on our ARSP to incorporate a mixture of software features to suit our customers' diverse requirements. Our ARSP is also from time to time upgraded with new functions incorporated from the results of our continued research and development efforts or with software systems developed during our course of provision of our services or products to our customers. Although the provision of Technical Services to our customers does not directly involve the use of ARSP, we employ our ARSP platform for the purpose of technical staff training to improve the technical capabilities of the research and development team, which in turn benefits our provision of Technical Services to our customers.

In view of the emergence of electric power retailing companies after the New Reform which have more standardised requirements for their electric power selling and management, we have devised Huidianyun by utilising software components in our ARSP. Huidianyun offers cloud-based services in relation to electric power selling and management specifically designed for small to medium size electric power retailing companies and was officially launched in November 2017. Compared to our Software Systems in relation to electric power selling and management for IMPG Group and other local electric power grid companies which are tailor-made according to their specific requirements, Huidianyun focuses on the provision of cloud-based services with a set of standardised functions which are essential to the operation of electric power retailing companies, such as collection and monitoring of electricity usage and online electricity sale. For further details, please refer to the sub-paragraph headed "Enhancing and expanding product/service offerings" under the paragraph headed "Our strategies" in this section.

Our research and development efforts are headed by our four technical staff members who have joined our Group for at least five years and are responsible for design and developing electric power selling and management software. As at the Latest Practicable Date, more than 80% of our staff members engaged in design and engineering work and most of them had relevant qualification in computer science.

During the Track Record Period, other than our in-house research and development efforts, we also collaborated with an Independent Third Party in developing a management system for power converting stations (變電站全息電網三維可視化管理系統). Such system enables operators to monitor and control the operation of each power converting station by simulation method in real time through mobile applications and computers. Pursuant to the agreement entered into between such Independent Third Party and our Group, the intellectual property rights of such system belong to our Group.

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We are also currently in the initial stage of conducting research in the potential market of the electric cars charging management related software and services in the PRC in the future. In August 2016, we entered into a strategic cooperation agreement with a university (the “**University**”), which specialises in the electric power industry in the PRC, to collaborate performing research for a period of five years on (i) improvement on smart charging stations and piles in order to accommodate the fast growing and changing electric cars market in the PRC by developing different kinds of smart charging piles, namely (a) portable smart charging power bank; and (b) fast smart charging piles, in order to accommodate the prominent demand in smart charging piles in the PRC; and (ii) enhancement on an integrated and intelligent technology required for smart charging stations and piles by developing and enhancing software to be used for smart charging piles and stations, such as mobile applications and management platform which is similar to our ARSP. Pursuant to such strategic cooperation agreement, our Group shall provide relevant facilities and equipment for the students of the University to conduct electric car related research, while the University shall provide technical support to our Group to commercialise and develop electric car related equipment and integrated and intelligent technology. Our Group was given priority to rights to intellectual property of those inventions being developed by the University under such cooperation and it was agreed that all intellectual property rights to those inventions shall belong to us, therefore there was no purchase price of the intellectual properties under the strategic cooperation agreement. The strategic cooperation agreement did not include provisions regarding our Group’s capital commitments for collaboration with the University.

In addition to research and development of our Software Systems and other related Technical Services, our research and development and customer service department staff also works closely with our sales and marketing staff. Feedback from our sales and marketing staff provides guidance on the development of our Software Systems to meet the requirements of different customers. To maintain the quality and market awareness of the research and development and customer service department, we provide on-going technical training for our research and development and customer service staff.

Our expenses on research and development are mainly capitalised as intangible assets. Expenditure on internal research and development project is distinguished between expenditure during the research phase and expenditure during the development phase. Research activities involve original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development activities involve a plan or design for the production of new or substantially improved materials, devices, products or processes before the commencement of commercial production or use. Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and our Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses. Other development expenditure is recognised as an expense in the period in which it is incurred. For further details, please refer to the sub-sub-paragraph headed “Intangible assets” under the sub-paragraph headed “Non-current assets” under the paragraph headed “Discussion of certain key items on the consolidated statements of financial position” under the section headed “Financial information” of this prospectus.

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INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had registered 30 computer software copyrights in the PRC. Further details of our computer software copyrights registered in the PRC are set out in the sub-paragraph headed “11. Intellectual property rights of our Group” under the paragraph headed “Further information about the business of our Company” in Appendix IV to this prospectus.

We have confidentiality protection arrangements in place to protect our intellectual property rights and trade secrets, including the requirement for our senior management members and senior technical staff to enter into confidentiality agreements with us to ensure that our intellectual property rights and trade secrets are not passed onto any third party.

As of the Latest Practicable Date, we were not involved in any disputes or litigation or legal actions relating to the infringement of intellectual property rights, nor do we have any such claims either pending or threatened.

SUSTAINABILITY OF OUR BUSINESS

Our Directors are of the view that our business with our customers shall be sustainable based on the following reasons:

1. We could meet our customers’ demands through its research and development capabilities

As one of our competitive strengths, we have strong research and development capabilities and have made efforts in research and development to address our customers’ specific requirements. ARSP, being our core competence, is a manifestation of our research and development capabilities. It is a self-developed software development platform comprising various software components with a multitude of functions covering the entire electric power selling and management value chain, which include data collection and monitoring, customer services, billing and collection as well as administrative functions in relation to electric power selling and management. The diverse capabilities and functionalities of ARSP enable our Group to offer design and implementation of tailor-made Software Systems as well as new software services such as Huidianyun through integration of appropriate software components from its ARSP for supporting our customers’ specific operational requirements. Although the provision of Technical Services to our customers does not directly involve the use of ARSP, we employ our ARSP platform for the purpose of technical staff training to improve the technical capabilities of the research and development team, which in turn benefits our provision of Technical Services to our customers.

Our Group’s industry experience and on-going technical training for our staff also enables us to provide quality Technical Services to our customers. As at the Latest Practicable Date, more than 80% of our staff engaged in design and engineering work and most of them had relevant qualification in computer science. As at the Latest Practicable Date, we had registered 30 computer software copyrights in the PRC. Our know-how and industry knowledge accumulated over time further enhanced our ability in sourcing and provision of compatible hardware to our customers in particular, our customers may engage our Group to source hardware compatible to the Software Systems provided by our Group for them to ensure better compatibility and stability of such Software Systems.

Due to the size of operation and coverage of geographical areas of SGCC Group and CSG, historically they have been engaging various service providers. Their own affiliate companies are in the leading positions with relatively large market shares of the electric power selling and management system market. For example, Beijing Zhongdian Puhua Information Technology Company Limited and NARI Technology Co., Ltd. are affiliate companies of SGCC Group, accounting for approximately 35.1% and 28.0% of the total market size in 2016, respectively. Yunnan Yundiantongfang Technology Co., Ltd. is an affiliate company of CSG and accounted for 2.5% of total market size in 2016. Other than SGCC Group's and CSG's affiliate companies, there is no single dominating participant in the market and each accounts for a relatively small portion of the total market share.

In view of the emergence of electric power retailing companies after the New Reform which have more standardised requirements for their electric power selling and management, we have devised Huidianyun by utilising software components in our ARSP. Huidianyun offers cloud-based services in relation to electric power selling and management specifically designed for small to medium size electric power retailing companies and was officially launched in November 2017. For further details, please refer to the sub-paragraph headed "Enhancing and expanding product/service offerings" under the paragraph headed "Our strategies" in this section.

2. Established relationship with our customers

We have commenced relationship with our major customers, IMPG Group and the SGCC Group, in 2011 and 2012, respectively. Our Software Systems and Technical Services are tailor-made to address and support the specific operational requirements of our customers, which may not be easily substituted. Thus, we enjoy a competitive advantage over our competitors. In fact, most of our customers had engaged us for multiple projects since its establishment in 2011.

3. Our experience in China's electric power distribution and transmission industry enables us to quickly adapt to any changes in the cooperation model of our customers

Prior to the establishment of our Group, our Founding Shareholders, through a group of companies (the "**PRC Company Group**") with the operating company being 北京普華雅龍科技有限公司 (Beijing Puhua Yalong Technology Company Limited*), sold electricity-related software (being software systems in relation to electric power selling and management) to SGCC Group. Further details are disclosed in the paragraph headed "Prior business involvement of our Founding Shareholders in the electric power software and information service business" under the section headed "History and development and Reorganisation" of this prospectus. The PRC Company Group was engaged in the development and provision of electricity-related software (being software systems in relation to electric power selling and management) for management of electricity supply, production, real-time electricity related data collection and monitoring, electric power selling and management analysis, customer service, and sale and billing to provincial operating companies of SGCC Group to capture business opportunities that could be brought by the SG186 project (maintenance and continuous upgrade services of electric power selling and management system).

By the end of the implementation of the SG186 project in around 2009, there was a significant decrease in the investment in software and provision of information technology services regarding electric power selling and management by SGCC Group in 2010. In addition, there was a switch of SGCC Group's cooperation model into developing software regarding electric power selling and

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management in-house. Despite the change in the operation of SGCC Group, we have continued to maintain a stable business relationship with SGCC Group under its outsourcing model on its ancillary business since 2012 through the provision of Technical Services in relation to the electric power selling and management prior to the disposal of the Disposal Businesses.

As disclosed in the sub-paragraph headed “(iii) The Disposal” under the paragraph headed “Business development of our Group” under the section headed “History and development and Reorganisation” of this prospectus, our Founding Shareholders noted that the Technical Services in relation to electric power selling and management to SGCC Group disproportionately consumed a large amount of human resources and financial resources of Along Grid, which had hindered other development of Along Grid’s operation, such as research and development and the development of our business with local electric power grid companies and electric power retailing companies. Thus, we disposed of the Disposal Businesses to Chinasoft Beijing in December 2012. However, we have tried to maintain the business relationship with SGCC Group at a lower cost after disposing of the Disposal Businesses, and has restored our business relationship with SGCC Group by providing them Technical Services in relation to electric power exchange since November 2014.

Our experience in China’s electric power distribution and transmission industry has enabled us to quickly adapt to any changes in the cooperation model of SGCC Group as demonstrated above.

Furthermore, the Separation of Principal and Ancillary Works (主輔分離) for electric power grid companies has been carried out since the release of Reformation of Electric Power Structure (《電力體制改革方案》) by the State Council in 2002. As emphasised by Premier Li Keqiang at the executive meeting of the State Council in May 2016, it is expected that state-owned electric power grid companies including SGCC Group would focus on their core business, being electric power transmission and distribution, rather than information technology services (including the provision of Technical Services) which we provide. Our Directors expect that SGCC Group will outsource the Technical Services in relation to electric power exchange to external service providers and it is unlikely for them to internalise the Technical Services.

Based on the above, our Group has been able to maintain growth in us overall revenue since 2011. Our Directors are of the view that our Group’s business shall be sustainable.

Relationship with our customers

Our Directors are of the view that we would be able to maintain our business relationship with our customers going forward for the following reasons:

1. Stable business relationship with SGCC Group and growing business with the IMPG Group and other local electric power grid companies

We have established and maintained a stable business relationship with SGCC Group and IMPG Group since 2012 and 2011, respectively. In particular, our revenue generated from the provision of Technical Services to SGCC Group was approximately RMB16.42 million, RMB20.25 million, RMB20.84 million and RMB6.25 million for the three years ended 31 March 2017 and the five months ended 31 August 2017, respectively. Our revenue generated from the sale of Software Systems and the provision of Technical Services to IMPG Group, other local electric power grid companies and electric power retailing companies has been increasing and accounting for

approximately RMB24.5 million, RMB33.2 million, RMB47.6 million and RMB18.8 million for the three years ended 31 March 2017 and the five months ended 31 August 2017, respectively.

We have been accredited as a qualified service provider by SGCC Group each year since April 2015 and we have been engaged in 22 out of the 31 areas in connection with SGCC Group's development of its electric power exchange platform. Being accredited as a qualified service provider by SGCC Group, we are entitled to enter into monthly contracts with SGCC Group for the provision of Technical Services in relation to electric power exchange. The accreditation is granted on annual/bi-annual basis and the accreditation is valid up to May 2018. As one of the few early-entrants of the electric power exchange market, our technical know-how and practical experience accumulated in electric power exchange over the years also benefit the continuing enhancement of our research and development capabilities in the way of adding electric power exchange related features to our ARSP, which in turn, strengthen our competitiveness in electric power exchange related services to other customers.

With our stable business relationship with IMPG Group, we have been engaged by IMPG Group for a series of rural access selling and management software systems development projects in areas where the major electricity sub-bureaus are situated in. During the year ending 31 March 2018, our Group has been engaged in two major rural access selling and management software systems development projects with IMPG Group with the project sum of approximately RMB7.62 million and RMB18.6 million respectively.

We have been focusing on providing electric power selling and management systems to local electric power grid companies during the Track Record Period. We have taken up approximately 54.4% of the market share in providing electric power selling and management systems to local electric power grid companies in 2016. According to the CIC Report, the market size of local electric power grid companies in terms of revenue amounted to approximately RMB70.2 million in 2016, accounted for approximately 3.6% of the overall market share.

2. Cooperation model on the ancillary business of SGCC Group, IMPG Group and other local electric power grid companies

According to the CIC Report, SGCC Group, IMPG Group and other local electric power grid companies being state-owned electric power grid companies are expected to shift their focus to their core businesses and be less involved in their ancillary businesses operation due to the implementation of Reformation of Electric Power Structure (《電力體制改革方案》) by the State Council in 2002, which was re-emphasised by Premier Li Keqiang at the executive meeting of the State Council in May 2016. Therefore, our Directors expect that the demand of SGCC Group, IMPG Group and other local electric power grid companies for outsourcing Software Systems and Technical Services to external suppliers, including our Group, will persist, and the possibility of such business being internalised by them in the future is low.

3. Our ability to provide tailor-made products and services to our customers based on our ARSP and experienced technical team

To address the requirements of our customers, we select appropriate software components from our ARSP to develop tailor-made Software Systems which comprise an array of functionalities. ARSP has been continuously improved and upgraded with the incorporation of new

functionalities developed during our provision of services or products to IMPG Group and other local electric power grid companies over the years. As a result, through integration of various software components from ARSP, we are able to offer tailor-made Software Systems to our customers in accordance with their specific requirements.

Further, we have been a provider of Software Systems and Technical Services to IMPG Group since 2011, the time when IMPG Group started to actively adopt software systems in relation to electric power selling and management. After completion of the foundation work for the electric power selling and management systems for IMPG Group in or around 2011, the relevant software systems require continuous upgrading with incorporation of new functionalities and configuration of the existing functions. With the understanding of the existing software systems and the specific requirements of IMPG Group gained through our on-going business with them, our Directors expect that IMPG Group would continue to engage our Group to ensure the stability and uniformity of its systems and compatibility of upgraded systems with its existing software. Throughout our cooperation with IMPG Group, we have formed an experienced and stable technical team to serve IMPG Group.

Regarding SGCC Group, since November 2014, we have trained and retained a team of approximately 100 technical staff members in various locations across the PRC where SGCC Group develops the electric power exchange platform. These technical staff members have acquired experience in providing services to SGCC Group and gained familiarity with their technological requirements. This team of technical staff has an average of 2.4 years of experience in providing the relevant services to SGCC Group. They are a stable source of manpower for our Technical Services to SGCC Group. Familiarity with the technological requirements of SGCC Group also enables us to provide customised services to SGCC Group. All these factors combined, in turn, strengthen our competitive edge over and create higher entry barriers for other competitors.

4. Potential market opportunity brought by the New Reform

The market size of electric power selling and management systems for all participants in terms of total revenue in China was large, amounting to approximately RMB2.0 billion in 2016. According to the CIC Report, it is expected that the overall market size of electric power selling and management systems would grow at a CAGR of approximately 5.6% between 2017 and 2021. Such expected increase was mainly attributable to the expected increase in the market size of electric power retailing companies emerging from the New Reform. As electric power selling and management system is regarded as a necessary management tool for the operation of local electric power grid companies and electric power retailing companies, which we specialise in, it is expected that such companies would continue to engage existing electric power selling and management service providers, including our Group, to provide software systems in relation to electric power selling and management for their operation.

However, it should be noted that the New Reform is implemented gradually through different stages as designated by the PRC government. Since the introduction of the New Reform in March 2015, out of more than 3,000 electric power retailing companies already set up in December 2016, approximately 100 companies have commenced commercial operation and approximately 20 of which have demand for software systems in relation to electric power selling and management. Therefore, it is expected that the potential new business opportunities that are expected to be generated by the New Reform may not be immediate but should gradually be realised with the increasing number of electric power retailing companies being established and commencing commercial operation.

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Although the demand for software systems in relation to electric power selling and management generated by the increasing number of electric power retailing companies may take time to realise, our Directors are of the view that our Group is well-positioned to serve the local electric power grid companies and electric power retailing companies emerging from the New Reform due to the following reasons:

1. our Directors believe that we have obtained a first-mover advantage in respect of provision of software systems in relation to electric power selling and management for electric power retailing companies as we have been engaged by six electric power retailing companies (which were in operation and had demand for software systems in relation to electric power selling and management) as at the Latest Practicable Date;
2. unlike the existing electric power grid companies and local electric power grid companies, electric power retailing companies tend to be smaller in size. Through our experience and knowledge in providing products or services to not only cross-provincial electric power grid companies, such as SGCC Group, but also the local electric power grid companies, such as IMPG Group, our Directors believe that we understand the operating environment of those local electric power grid companies. Our Directors believe that through the long relationship with electric power grid companies, particularly throughout the phase of both SGCC Group and IMPG Group promoting information technologies for their software systems in relation to electric power selling and management, we have gained familiarity with the requirements of software systems in relation to electric power selling and management for electric power transmission and distribution. As there have been more electric power retailing companies emerging from the New Reform and software systems in relation to electric power selling and management are crucial for their initial phase of operations, our Directors believe our accumulated experience with electric power grid companies enables us to provide better products and services to electric power retailing companies; and
3. from a technological perspective, we have continued making efforts on research and development to improve and enhance our ARSP to integrate electric power exchange, electric power selling and management functionalities. The Software Systems readily developed on ARSP enable us to better serve and meet the demand from electric power retailing companies.

Although the electric power retailing companies emerging from the New Reform have been slow in commencing operation, it is expected that more electric power retailing companies will commence business in the future. Therefore, our Directors are of the view that when more newly established electric power retailing companies come into operation, there shall be more market players in China's electric power distribution and transmission industry, thus creating more business opportunities for our Group.

In particular, according to the CIC Report, as software systems in relation to electric power selling and management can be regarded as a necessity for the operation of electric power retailing companies, it is expected that Software Systems and Technical Services in relation to electric power selling and management would be required by electric power retailing companies.

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In view of the emergence of electric power retailing companies after the New Reform which have more standardised requirements for their electric power selling and management, we have devised Huidianyun by utilising software components in our ARSP. Huidianyun offers cloud-based services in relation to electric power selling and management specifically designed for small to medium size electric power retailing companies and was officially launched in November 2017. Compared to the Software Systems in relation to electric power selling and management for IMPG Group and other local electric power grid companies which are tailor-made according to their specific requirements, Huidianyun focuses on the provision of cloud-based services with a set of standardised functions which are essential to the operation of electric power retailing companies, such as collection and monitoring of electricity usage and online electricity sale.

Each electric power retailing company customer can choose the combination of the software services offered by Huidianyun according to their own specific needs. As cloud-based service, Huidianyun can be accessed through web browsers and mobile devices and does not require on-site installation on the customers' computers. Customers can also access to the most up-to-date services from time to time. The current provision of Huidianyun services is based on a subscription fee model, where our electric power retailing company customers are required to pay an annual subscription fee for the access and use of our services within the prescribed period of time and the annual subscription will vary according to the types and number of the features each customer requires. Customers are not required to pay one-off initial software development costs as required in the case of our sale of Software Systems, which are more financially attractive for our electric power retailing company customers, which are typically small in size and just commenced operation. The Huidianyun services have brought six new electric power retailing company customers to our Group up to the Latest Practicable Date.

Even though the New Reform will attract more market players that provide electric power selling and management systems for electric power retailing companies, we believe we have the following competitive edges against our potential competitors:

1. according to the CIC Report, we ranked first in 2016 among electric power selling and management system providers for local electric power grid companies, which are typically small-to-medium size electric power grid companies. We have accumulated deep understanding on the electric power selling and management process of the small-to-medium size electric power grid companies, including IMPG Group and other local electric power grid companies, which focuses primarily on electricity selling, meter reading, bill calculation, billing and invoicing, payment collection, etc.. The electric power selling and management process of the small to medium size electric power grid companies is generally different from that of large electric power grid companies, such as SGCC Group and CSG, which, in addition to the above-mentioned electric power selling and management process of the small to medium size electric power grid companies, involve aspects such as customer services and electricity data analysis, etc.. As the electricity selling and management process of electric power retailing companies, which are also typically smaller in size, is expected to be similar to that of small-to-medium size electric power grid companies, our experience in local electric power grid companies had given us competitive advantage to compete in the market of the emerging electric power retailing companies; and

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2. as the seventh largest electric power selling and management systems provider in the PRC in 2016, we are regarded as one of the leading participants in PRC's electric power selling and management systems market and have strong track record for cooperating with SGCC Group and IMPG Group. Such brand awareness may increase our attractiveness for those newly established electric power retailing companies as brought by the New Reform.

It is expected that the demand for electric power selling and management system related products and services from participants of electric power transmission and distribution industry in the PRC would continue to grow. Our Directors are of the view that the demand for our Software Systems would mainly come from IMPG Group and electric power retailing companies emerging from the New Reform, while the demand for our Technical Services would come from different participants in the electric power transmission and distribution industry going forward. Also, with the promotion of the construction of electric exchange platform under the New Reform, it is likely that the demand for electric power exchange related software systems and services would increase.

COMPETITION

Key business drivers

As an electric power selling and management system market player, our key business drivers include (i) increasing customised demand from provincial and municipal companies engaged in electric power transmission and distribution and electric power retailing companies; (ii) continuous investment in maintaining the electric power selling and management system in operation; and (iii) demand for maintenance and upgrade of information system in operation.

As the development of electric power transmission and distribution industry in China evolves rapidly, electric power selling and management systems are required to adapt to such rapid development quickly. Further details regarding the analysis on drivers of electric power selling and management system industry in China are set out in the sub-paragraph headed "Drivers of electric power selling and management system industry in China" under the paragraph headed "Electric power software and information service industry in the PRC" in the section headed "Industry overview" in this prospectus.

As for Technical Services, adequate amount of investment will be sustained to support the operational maintenance and necessary upgrade of the current information system; thus, relevant technicians will be required by companies engaged in electric power transmission and distribution to support their routine operations in long run. Furthermore, though standards of information systems for companies engaged in electric power transmission and distribution are usually disseminated to all its regional offices and subsidiaries by the group headquarters, provincial and municipal branch companies may have their own demands for information systems based on their operation situation; thus supporting services will be necessary to modify information system in order to fulfill different needs of provincial and municipal companies engaged in electric power transmission and distribution.

Competitive landscape

The overall electric power selling and management system industry in China is highly competitive. According to the CIC Report, the electric power selling and management system industry in China was highly concentrated with the top seven companies accounting for approximately 95.0% in aggregate in terms of revenue in 2016.

We believe that the principal barriers to entry of our industry include (i) technology barrier; (ii) branding barrier; (iii) accumulative business barrier; and (iv) capital requirement. We consider that we compete with other electric power selling and management system and technical service providers in China on the following principal competitive factors, and the attainment of sufficient competency in such competitive factors also present certain barriers to entry into our industry:

- in-depth understanding on system design — our customers' electric power selling and management system are highly compatible, flexible and stable in order to serve millions of users. Companies with in-depth understanding on platform design, data processing and application upgrade, and highly experienced and technologically literate research and development and execution team enjoy a competitive advantage to receive first hand information on client's demand in order to be able to be responsive to the market demand on a timely manner and attract customers; and
- cost — competitive cost is also important to our customers in their selection of electric power selling and management system and technical service providers.

Further details regarding the competitive landscape in our industry in China are set out in the sub-paragraph headed "Competitive analysis of electric power selling and management system industry in China" under the paragraph headed "Electric power software and information service industry in the PRC" in the section headed "Industry overview" in this prospectus.

Given our competitive strengths as set out in the paragraph headed "Competitive strengths" above, our Directors believe that we are able to provide quality services and products and compete effectively with other industry players.

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AWARD AND ACCREDITATIONS

We have obtained the following awards and accreditations in recognition of our success and achievements. Set out below is the highlight of some of our major awards and accreditations.

Award/Accreditation	Year of grant	Awarding body
“軟件企業” (Software Enterprise)	2013	北京市經濟和信息化委員會 (Beijing Municipal Commission of Economy and Information Technology*)
“高新科技企業” (High and New Technology Enterprise)	2016 (valid for a period of three years)	北京市科學技術委員會 (Beijing Municipal Science and Technology Committee*), 北京市財政局 (Beijing Municipal Finance Bureau*), 北京市國家稅務局 (Beijing Municipal Office, State Administration of Taxation) and 北京市地方稅務局 (Beijing Local Taxation Bureau)
“中關村高新技術企業” (Zhongguancun High Technology Enterprise)	2015 (valid for a period of three years)	中關村科技園區管理委員會 (Zhongguancun Science Park Management Committee)
ISO 9001 quality management system certification	2016	China Quality Mark Certification Group

EMPLOYEES

As at 31 August 2017, we employed 199 full-time employees. The following table sets out a breakdown of our employees by department as at 31 August 2017:

Department	Number of employees
Management	7
Sales and marketing	8
Research and development and customer service	171
Procurement	1
Accounting and finance	3
General and administration	9
TOTAL	199

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We generally recruit our employees by various means, including making advertisements on websites, campus recruitment and using recruitment mobile applications. We generally require the applicants to have certain years of relevant working experience and have obtained related qualification(s). We offer remuneration packages to our employees, including salaries and allowances.

In order to maintain quality, knowledge and skill levels of our employees, we provide training for our employees from time to time, including technical training, management training and continuing education. Our technical staff may take job-related courses to better equip themselves with necessary technical knowledge from time to time and we will reimburse reasonable expenses incurred therefrom. According to our human resources management policy, we also carry out staff evaluation to assess their performance at least once a year.

As required by PRC regulations, we make contributions to mandatory social security funds for the benefit of our PRC employees that provide for pension insurance, medical insurance, unemployment insurance, maternity insurance, work injury insurance and housing funds.

We recognise the importance of maintaining a good relationship with our employees. During the Track Record Period, we had not experienced any significant problems with our employees or disruption to our operations due to labour disputes, nor have we experienced any difficulties in the recruitment and retention of experienced staff. On this basis, we believe that we have a good working relationship with our employees.

INSURANCE

We do not maintain any product liability or business liability insurance. As confirmed by our PRC Legal Advisers, we are not required by PRC laws and regulations to maintain any compulsory product liability or business liability insurance. Generally, we will provide an operational maintenance of one year from the operation of our Software Systems under our project agreements obtained through tender process. During the operating maintenance period, complementary after-sale maintenance and repair services are typically provided to our customers. For project agreements, different levels of compensation are stipulated in the relevant agreement according to the type of faults or accidents that may occur during the operating maintenance period. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material claims, litigation, complaints or adverse publicity in relation to our Software Systems or products supplied by us. Our Directors are of the view that the insurance coverage is consistent with the industry practice in the PRC.

During the Track Record Period, and as at the Latest Practicable Date, we had not made and did not make or had not been subject to any material insurance claims.

ENVIRONMENTAL COMPLIANCE AND SAFETY

Due to the nature of our business, we do not generate industrial pollutants and our operations do not raise any material safety or health related concerns. As at the Latest Practicable Date, we have not come across any non-compliance issues in respect of any applicable laws and regulations on environmental protection and safety or any complaints from our customers or the public in respect of safety and health issues relating to the use of, or any incidents arising from, the use of our Software Systems, our Technical Services or our hardware.

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As confirmed by our PRC Legal Advisers, there are no environmental and safety laws and regulations which may affect our business in any material respect, and that we are in compliance with the applicable laws and regulations of the PRC in all material aspects in respect of environmental protection and safety. Our Directors confirmed that, during the Track Record Period, our Group has not experienced any material environmental protection or safety problems and no material accidents had occurred due to the fault of our Group. We have not incurred and do not expect to incur any material cost in connection with the compliance with applicable environmental and safety laws and regulations.

PROPERTIES

We occupy certain properties in the PRC for our business operation. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and they are primarily used as office.

As at the Latest Practicable Date, we leased four properties for office purpose in the PRC from Independent Third Parties. Among these four properties, three are situated in Beijing, one in Inner Mongolia, with a total gross floor area of approximately 1,540 square metres.

As advised by our PRC Legal Advisers, all our lease agreements with respect to the leased properties in the PRC are valid, effective and legally binding.

For the purpose of Chapter 5 of the Listing Rules, no single property interest that formed part of our non-property activities had a carrying amount of 15% or more of our total assets, hence we are not required by Chapter 5 of the Listing Rules to value or include in the prospectus any valuation report of our property interests.

As at the Latest Practicable Date, we did not own any property.

LEGAL PROCEEDINGS AND LEGAL COMPLIANCE

As at the Latest Practicable Date, we had not been involved in any pending arbitration, litigation or administrative proceedings, which had or could be expected to have a material adverse effect on our business, results of operation and financial condition.

As advised by our PRC Legal Advisers, we have obtained all material licences, permits or certificates necessary for our business operations in the PRC and they are not aware of any material non-compliance incidents of our Group under the relevant laws and regulations in the PRC during the Track Record Period.

Our Directors are not aware of any historical and material non-compliance of our Group under laws and regulations of the PRC during the Track Record Period and as at the Latest Practicable Date.

Internal control measures

In order to continuously improve our corporate governance:

- we adopted or will adopt the measures and policies to improve our internal control systems and to ensure our compliance with the Listing Rules and the relevant laws in the PRC and Hong Kong;

BUSINESS

- we have taken remedial measures to address certain deficiencies in our internal control systems, including monitoring the ongoing compliance of certain Listing Rules and regulations with the internal control measures put in place;
- we have engaged and will continue to appoint external professional advisers, including auditors, legal advisers or other advisers to render professional advice as to compliance with the statutory requirements as applicable to our Group from time to time;
- we have appointed the Sole Sponsor as our compliance adviser upon the Listing to provide advice to our Directors and management team on matters relating to the Listing Rules;
- regular trainings will be provided to all Directors and senior management after Listing by our external professional advisers on compliance with the Listing Rules and all relevant laws and regulations. Our Directors attended a seminar organised by our Company's legal advisers as to Hong Kong law in November 2016 regarding the duties of directors of companies listed in Hong Kong;
- we have established an audit committee on 5 February 2018, which will establish formal arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations; and
- our Board (which shall be responsible for monitoring the corporate governance of our Group) will also periodically review our compliance status with all relevant laws and regulations after Listing.

Reviewed by the internal control consultant

In preparation for Listing, we have engaged an independent internal control consultant (“**Internal Control Consultant**”), to conduct an evaluation on our Group's internal control system. During the review, the Internal Control Consultant identified internal control deficiencies and has recommended remedial measures to enhance our internal control system.

Upon receipt of the recommendations made by the Internal Control Consultant, our Group had adopted the remedial measures recommended by the Internal Control Consultant by August 2017. The Internal Control Consultant performed a follow-up review in August 2017 to review the status of the remedial actions taken by the management to address the findings identified by the Internal Control Consultants in July 2016. The Internal Control Consultant has confirmed that we have implemented all the recommended internal control measures.

RELATIONSHIP WITH OUR FOUNDING SHAREHOLDERS

RELATIONSHIP WITH FOUNDING SHAREHOLDERS

Immediately prior to the Global Offering, Smart East, Union Sino, Main Wealth and Long Eagle will own approximately 21.047%, 21.047%, 21.047% and 21.047% of the issued share capital of our Company respectively. Immediately after completion of the Capitalisation Issue and the Global Offering (assuming that no Shares are allotted and issued pursuant to the exercise any options which may be granted under the Share Option Scheme), our Company will be owned as to approximately 15.745% by Mr. Wang through Smart East, 15.745% by Mr. Wu through Union Sino, 15.745% by Mr. Li through Main Wealth, and 15.745% by Mr. Cao through Long Eagle. As at the Latest Practicable Date, each of Smart East, Union Sino, Main Wealth and Long Eagle was wholly owned by Mr. Wang, Mr. Wu, Mr. Li and Mr. Cao, respectively. Each of Smart East, Union Sino, Main Wealth and Long Eagle is an investment holding company.

As at the Latest Practicable Date, apart from interests in our Group, our Founding Shareholders were also interested in the following companies (the “**Other Businesses**”).

Aige Reide: Aige Reide was owned by Mr. Wang, Mr. Wu, Mr. Li and Mr. Cao as to 25%, 25%, 25% and 25% respectively and was an investment holding company as at the Latest Practicable Date. Prior to commencement of our Reorganisation, Along Grid was also wholly-owned by Aige Reide. Aige Reide recorded a net loss of approximately RMB0.7 million, RMB1.5 million and RMB2.6 million for the three years ended 31 March 2017 respectively and a net profit of approximately RMB0.3 million for the five months ended 31 August 2017.

Aipu Zhicheng: Aipu Zhicheng was owned by Aige Reide and two Independent Third Parties as to approximately 85.5% and approximately 14.5% in aggregate respectively as at the Latest Practicable Date and was principally engaged in the investment, construction and operation of smart city infrastructure in the PRC which includes, among others, the development and construction of lampposts network infrastructure with integrated smart control and wifi stations, of which its daily operation was overseen by Mr. Wu, who has extensive information technology industry knowledge in the PRC. Aipu Zhicheng recorded a net loss of approximately RMB2.6 million, RMB2.4 million, RMB0.9 million and RMB0.9 million for the three years ended 31 March 2017 and the five months ended 31 August 2017, respectively. The business of the smart city infrastructure of Aipu Zhicheng is principally based on a number of smart city infrastructure technologies which are based on lampposts network infrastructure (“**iPole**”). iPole is a technology, via connecting the existing lampposts network with the optic fiber network, to transform the city’s existing street lampposts into the network access points. After the transformation, since each lamppost is connected to the internet, the existing lampposts can be connected with a variety of external devices and facilities which require internet access, such as surveillance camera, air quality monitoring devices and wifi base station. Given the wide location coverage of lampposts in a city, one of the potential applications of the iPole technology is to connect electric cars charging piles to the lampposts network, which allow charging piles to be connected with the network such that charging piles can communicate and transmit data with its central management systems. For the sake of clarity, the iPole technology only serves to transform the existing lampposts network into the network access points. The external devices and software which can be potentially connected with it (for example, air quality monitoring system and the Software Systems designed for electric cars charging) do not form part of the iPole technology.

RELATIONSHIP WITH OUR FOUNDING SHAREHOLDERS

The revenue model of the business of Aipu Zhicheng is, through the abovementioned technology, to connect the existing city infrastructure to the internet network while relevant service fee will be charged by Aipu Zhicheng. The major customers of Aipu Zhicheng include various public utilities companies and government authorities in the PRC who intend to set up a network via lampposts and connect their external devices and software to such network, such as public security bureau, traffic management bureau and environmental protection bureau.

Aipu Zhicheng possesses a number of software copyrights and patents in relation to smart city infrastructure technologies which are based on lampposts network infrastructure and other communication technologies, which enables Aipu Zhicheng to help various public utility companies or government authorities to develop local network in a city for purposes such as public safety or traffic management's purpose. On the other hand, our Group had developed ARSP for the provision of Software Systems for the electric power grid companies and electric power distribution companies, which consists of different kinds of software components with different functions ranging from data collection and monitoring, customer services, billing and payment as well as administration in relation to electric power selling and management, and is fundamentally different from that of Aipu Zhicheng in terms of its technologies and applications. Through combining different kinds of software components on the ARSP, our Group has been able to provide customised solution to meet our requirements of our customers in the electric power industry.

Based on the above, there are fundamental difference between the core technologies, business models and target customers of our Group and Aipu Zhicheng. Our Founding Shareholders are of the view that the business of Aipu Zhicheng does not compete with our Group; and our Founding Shareholders do not intend to inject the business of Aipu Zhicheng into our Group.

Aige Reide Investment: Aige Reide Investment was wholly owned by Aige Reide as at the Latest Practicable Date and was principally engaged in investment management and consultancy in the PRC, of which its daily operation was overseen by Mr. Li, who has extensive experience in corporate management and was previously a director of a number of companies listed on the Stock Exchange. Aige Reide Investment recorded a net loss of approximately RMB0.6 million, RMB0.8 million, RMB0.2 million and RMB0.1 million for the three years ended 31 March 2017 and the five months ended 31 August 2017, respectively.

To the best knowledge of our Founding Shareholders, each of Aige Reide, Aipu Zhicheng and Aige Reide Investment had not breached any relevant laws and regulations in the PRC in any material respect for the three years ended 31 March 2017 and the five months ended 31 August 2017, respectively.

Each of Aige Reide, Aipu Zhicheng, Aige Reide Investment and our Group engaged in different industries with different business models and target customers. Our Directors are of the view that there is a clear delineation between the Other Businesses and the business of our Group.

Save as disclosed below, as at the Latest Practicable Date, none of our Founding Shareholders or Directors controls or conducts any business which competes, or is likely to compete, either directly or indirectly, with our business.

RELATIONSHIP WITH OUR FOUNDING SHAREHOLDERS

Our Founding Shareholders were collectively indirectly interested in approximately 0.23% of the issued shares of a company (the “**Holdco of Chinasoft Beijing**”) whose shares are listed on the Main Board of the Stock Exchange, which wholly owned Chinasoft Beijing as at the Latest Practicable Date. The Holdco of Chinasoft Beijing is principally engaged in the development and provision of information technology solutions services, information technology outsourcing services, information technology emerging services and training services. Given (i) our Founding Shareholders’ minimal shareholding in the Holdco of Chinasoft Beijing; and (ii) each of them did not hold any directorship in the Holdco of Chinasoft Beijing or any member of the Holdco of Chinasoft Beijing, our Founding Shareholders’ shareholding in the Holdco of Chinasoft Beijing is merely their personal investment decision. As such, our Group has no interest to acquire the interest held by our Founding Shareholders in the Holdco of Chinasoft Beijing and their interest in the Holdco of Chinasoft Beijing should not have any effect on our Group’s ability to carry on our business independently of and arm’s length from the Holdco of Chinasoft Beijing.

Our Directors consider that our Group is capable of carrying on our business independently of our Founding Shareholders and their respective associates based on the following particulars:

Management independence

Our Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors. Our executive Directors are Mr. Wang and Mr. Wu Hongyuan. Mr. Wang is also one of our founders and one of our Founding Shareholders. Mr. Wang is also the sole director of Smart East. Mr. Wang is a director of each of First Magic, Citimax Development and Along Grid. In addition, Mr. Li and Mr. Wu are also directors of Along Grid.

Except as disclosed above, our Founding Shareholders do not hold any directorship in our Group. Mr. Li only became a director of Along Grid since the year of establishment of Along Grid as he is one of the founders of Along Grid. Mr. Li has not been involved in the operation of Along Grid since its establishment. Mr. Wu had been the general manager of Along Grid since its establishment and until being succeeded to by Mr. Wu Hongyuan, an executive Director, in April 2014. Mr. Wu has only continued being a director of Along Grid, without participating in the operation of Along Grid, since he is one of the founders. However, the daily operation and management of our Group has been performed by our senior management. We have our team of staff to carry out the business decisions of our Group independently. Our Directors are satisfied that our team of staff is able to perform its roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Founding Shareholders after Listing.

Furthermore, each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interest of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

RELATIONSHIP WITH OUR FOUNDING SHAREHOLDERS

Operation and financial independence

Our Group has our own independent administrative and corporate governance structure comprising separate individual departments, each with specific areas of responsibilities, including accounting and finance and general administration. During the Track Record Period, our Group was operationally and administratively independent of our Founding Shareholders as we have our own operational and administrative personnel. Our Board believes that we have been operating independently from our Founding Shareholders and will continue to do so after Listing.

During the Track Record Period, the outstanding short-term bank loan of our Group as of 31 March 2015, 2016 and 2017 and 31 August 2017 were approximately RMB15,000,000, nil, nil and nil, respectively, all of which were unsecured. Our Directors believe that we are able to obtain financing independently from our Founding Shareholders after Listing.

During the Track Record Period, there are certain amounts due to related parties, as set out in note 25 to the Accountants' Report in Appendix I to this prospectus. Such balances were unsecured and interest-free. All of such balances has been settled as at the Latest Practicable Date.

Save as aforesaid, our Group does not rely on our Founding Shareholders and/or their respective associates by virtue of financial assistance. Accordingly, there is no financial dependence on our Founding Shareholders.

NON-COMPETITION

Non-competition Undertaking

Each of our Founding Shareholders has confirmed that, save as disclosed in this prospectus, none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business. To protect our Group from any potential competition, our Founding Shareholders have given an irrevocable non-competition undertaking (the “**Non-competition Undertaking**”) in favour of our Company (for itself and for the benefits of its subsidiaries) on 5 February 2018 pursuant to which each of our Founding Shareholders has, among other matters, irrevocably and unconditionally undertaken to us on a joint and several basis that at any time during the Relevant Period (as defined below), each of our Founding Shareholders shall, and shall procure that their respective associates and/or companies controlled by them (other than our Group):

- (i) not, directly or indirectly, be interested or involved or engaged in or carry on or concern with or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to providing design, implementation, enhancement, upgrades and maintenance of Software Systems and Technical Services for electric power grid companies and electric power distribution companies) in the PRC and any other country or jurisdiction to which our Group provides such services and/or in which any member of our Group carries on business mentioned above currently and from time to time (the “**Restricted Activity**”);
- (ii) not solicit any existing employee or then existing employee of our Group for employment by it/him or its/his associates (excluding our Group);

RELATIONSHIP WITH OUR FOUNDING SHAREHOLDERS

- (iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to its/his knowledge in its/his capacity as our Founding Shareholder or as director of our Founding Shareholder for any purpose of engaging, investing or participating in any Restricted Activity;
- (iv) if there is any project or new business opportunity that relates to the Restricted Activity, refer such project or new business opportunity to our Group for consideration;
- (v) not invest or participate in or carry out any project or business opportunity of the Restricted Activity; and
- (vi) procure its/his associates (excluding our Group) not to invest or participate in or carry out any project or business opportunity of the Restricted Activity, unless pursuant to the exception set out below.

The above undertakings (i) to (vi) are subject to the exception that any of the associates of our Founding Shareholders (excluding our Group) are entitled to invest, participate and be engaged in or carry out any Restricted Activity or any project or business opportunity, regardless of value, which has been offered or made available to our Group, provided always that information about the principal terms thereof has been disclosed to our Company and our Directors, and our Company shall have, after review (taking into account whether the entering into of such project or business opportunity will be in the best interest of our Group) and approval by our Directors (including our independent non-executive Directors without the attendance by any Director with beneficial interest in such project or business opportunities at the meeting, in which resolutions have been duly passed by the majority of our independent non-executive Directors), confirmed its rejection in writing to be involved or engaged, or to participate or carry on, in the relevant Restricted Activity and provided also that the principal terms on which that relevant associate of our Founding Shareholders invests, participates or engages in the Restricted Activity are substantially the same as or not more favourable than those disclosed to our Company. Subject to the above, if the relevant associate of our Founding Shareholders decides to be involved, engaged, or participate in or carry out the relevant Restricted Activity, whether directly or indirectly, the terms of such involvement, engagement, participation or carrying out must be disclosed to our Company and our Directors as soon as practicable.

Each of our Founding Shareholders has unconditionally and irrevocably undertaken to us that in the event that it/he or its/his associate(s) (other than any member of our Group) (the “**Offeror**”) is given or identified or offered any business investment or commercial opportunity which directly or indirectly competes, or may lead to competition with the Restricted Activity (the “**New Opportunities**”), it/he will and will procure its/his associate(s) to refer the New Opportunities to us as soon as practicable in the following manner:

- (i) each of our Founding Shareholders is required to, and shall procure its/his associates (other than members of our Group) to, refer, or to procure the referral of, the New Opportunities to us, and shall give written notice to us of any New Opportunities containing all information reasonably necessary for us to consider whether (a) such New Opportunities would constitute competition with the Restricted Activity; and (b) it is in the interest of our Group to pursue such New Opportunities, including but not limited to the nature of the New Opportunities and the details of the investment or acquisition costs (the “**Offer Notice**”); and

RELATIONSHIP WITH OUR FOUNDING SHAREHOLDERS

- (ii) the Offeror will be entitled to pursue the New Opportunities only if (a) the Offeror has received a notice from us declining the New Opportunities and confirming that such New Opportunities would not constitute competition with the Restricted Activity, or (b) the Offeror has not received such notice from us within 10 business days from our receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunities pursued by the Offeror, the Offeror will refer the New Opportunities as so revised to us in the manner as set out above.

Upon receipt of the Offer Notice, we will seek opinions and decisions from our independent non-executive Directors who do not have a material interest in the manner as to whether (a) such New Opportunities would constitute competition with the Restricted Activity; and (b) it is in the interest of us and our Shareholders as a whole to pursue the New Opportunities.

The Non-competition Undertaking is conditional on (i) the Listing Committee granting listing of, and permission to deal in, all our Shares in issue and to be issued under the Global Offering and our Shares which may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant as a result of the waiver of any condition(s) by the Underwriters) and that the Underwriting Agreements not being terminated in accordance with its terms or otherwise.

For the above purpose, the “**Relevant Period**” means the period commencing from the Listing Date and shall expire on the earlier of the dates below:

- (i) with respect to each of our Founding Shareholders, the date on which such Founding Shareholder individually, or with his associates taken as a whole, ceases to hold 10% or more interest in our Company; and
- (ii) the date on which our Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange.

Under the Non-competition Undertaking, each of our Founding Shareholders has undertaken to our Group to allow our Directors, their respective representatives and the auditors of our Group to have sufficient access to the records of each of our Founding Shareholders and their respective associates to ensure compliance with the terms and conditions of the Non-competition Undertaking.

Each of our Founding Shareholders has undertaken under the Non-competition Undertaking that it/he shall provide to us and our Directors from time to time (including our independent non-executive Directors) with all information necessary for the annual review by our independent non-executive Directors with regard to compliance of the terms of the Non-competition Undertaking by our Founding Shareholders and the enforcement of the Non-competition Undertaking. Each of our Founding Shareholders has also undertaken to make an annual declaration as to compliance with the terms of the Non-competition Undertaking in our annual report.

RELATIONSHIP WITH OUR FOUNDING SHAREHOLDERS

In order to properly manage any potential or actual conflict of interests between us and our Founding Shareholders in relation to compliance and enforcement of the Non-competition Undertaking, we have adopted the following corporate governance measures:

- (i) our independent non-executive Directors shall review, at least on an annual basis, compliance and enforcement of the terms of the Non-competition Undertaking by our Founding Shareholders;
- (ii) we will disclose any decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Non-competition Undertaking either through our annual report or by way of announcement;
- (iii) we will disclose in the corporate governance report of our annual report on how the terms of the Non-competition Undertaking have been complied with and enforced; and
- (iv) in the event that any of our Directors and/or their respective associates has material interest in any matter to be deliberated by our Board in relation to compliance and enforcement of the Non-competition Undertaking, he may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Founding Shareholders and their respective associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board currently consists of six Directors, including two executive Directors, one non-executive Director and three independent non-executive Directors. The table below sets out certain information in respect of the members of our Board:

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and responsibilities	Relationship with other Director(s)
Mr. Wang Dongbin (王東斌)	50	25 May 2011	5 July 2016	Chairman and executive Director	Overall business corporate strategic planning and development of our Group, chairman of our nomination committee and a member of our remuneration committee	N/A
Mr. Wu Hongyuan (吳洪淵)	44	1 December 2011	30 November 2016	Chief Executive Officer and executive Director	Operation and management of our Group	N/A
Mr. Yang Qi (楊麒) ^{Note 1}	36	18 October 2017	18 October 2017	Non-executive Director	Participating in the decision making of Directors with respect to major issues of our Group	N/A
Mr. Ng Kong Fat (吳光發)	62	5 February 2018	5 February 2018	Independent non-executive Director	Chairman of our audit committee and a member of our remuneration committee, see note 2 below	N/A
Mr. Han Bin (韓彬)	64	5 February 2018	5 February 2018	Independent non-executive Director	Chairman of our remuneration committee and a member of each of our audit committee and nomination committee, see note 2 below	N/A

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and responsibilities	Relationship with other Director(s)
Mr. Wang Peng (王鵬)	44	5 February 2018	5 February 2018	Independent non-executive Director	A member of each of our audit committee and nomination committee, see note 2 below	N/A

Notes:

1. Pursuant to the pre-IPO agreement entered into between, among others, our Company and Chance Talent, Mr. Yang Qi has tendered his resignation as a non-executive Director with effect on the Listing Date. For further details of the pre-IPO investment, please refer to the paragraph headed “Pre-IPO investment” under the section headed “History and development and Reorganisation” in this prospectus.
2. Participating in meetings of our Board to bring an independent judgement on issues of strategy, performance, accountability, resources, key appointments and standards of conduct and transactions which are material to our Group as and when required; taking the lead where potential conflicts of interest arise and serving on our audit committee, remuneration committee and the nomination committee (as the case may be).

Chairman and executive Director

Mr. Wang Dongbin (王東斌), aged 50, is a founder of our Group, our Chairman and executive Director. He is primarily responsible for the overall business corporate strategies planning and development of our Group. He obtained a bachelor’s degree in modern physics application from Tsinghua University in the PRC in July 1990. He obtained a master’s degree in nuclear physics from Tsinghua University in July 1992.

Mr. Wang has over 20 years of experience in the information technology industry. Prior to founding of our Group, Mr. Wang started his career in the industry when he was first employed as a technical director by 北京市電信通網絡技術有限公司* (Beijing Teletron Internet Technology Company Ltd.), a company engaged in the telecommunication and internet engineering, between May 1996 and June 2001. He then joined Becom Software Co, Ltd., a company engaged in the development of education software, as the general manager between July 2001 and April 2008. Between March 2006 and November 2007, he was an executive director and the chief executive officer of China Information Technology Development Limited (stock code: 8178), a company listed on the Growth Enterprise Market of the Stock Exchange and principally engaged in the development and sale of computer software and hardware and the provision of system integration and related support services in the PRC. Between November 2007 and April 2012, he was an executive director and the chief executive officer of Pizu Group Holdings Limited (previously known as China Electric Power Technology Holdings Limited) (stock code: 8053) (“**Pizu Group**”), a company listed on the Growth Enterprise Market of the Stock Exchange and principally engaged in the development and provision of software, school network integration services, information technology solutions and related maintenance and technical services to customers in the electric power industry, schools and entities in the education sector of the PRC at the relevant time. Between April 2012 and December 2012, he was a non-executive director of Pizu Group. Between May 2008 and July 2012, he was also the executive director and the general manager of 北京捷通易信科技發展有限公司 (Beijing Jietong Yixin Technology Development Company Limited*), a member of the Pizu Group and principally engaged in the development of computer software and computer skill training. Through his industry-related working experience, Mr. Wang has accumulated industry knowledge and market understanding for the information technology related industry.

DIRECTORS AND SENIOR MANAGEMENT

In May 2011, Mr. Wang founded Along Grid through Aige Reide together with Mr. Wu, Mr. Li and Mr. Cao to engage in the sale of Software Systems for electric power grid companies and electric power distribution companies in the PRC. Please refer to the paragraph headed “Business development of our Group” in the section headed “History and development and Reorganisation” in this prospectus for further details. As at the Latest Practicable Date, Mr. Wang was a director of First Magic, Citimax Development and Along Grid.

Immediately following completion of the Capitalisation Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, Mr. Wang will be interested in 60,000,000 Shares within the meaning of Part XV of the SFO, all of which will be held by Smart East. Mr. Wang is the sole shareholder and sole director of Smart East.

Chief Executive Officer and executive Director

Mr. Wu Hongyuan (吳洪淵), aged 44, is our Chief Executive Officer and executive Director. He is primarily responsible for the operation and management of our Group. He joined our Group in December 2011 as the general manager of research and development and customer service department our Group and was promoted to the general manager of the Group in April 2014. He graduated from 北京電力高等專科學校 (Beijing Electricity College*) (being merged into the Beijing Jiaotong University in 2000) in the PRC in July 1994, majoring in electricity system communication.

Mr. Wu Hongyuan has over 20 years of experience in the electric power selling and management system industry. Prior to joining of our Group, he started his career as a teaching staff in the information engineering department of North China Electric Power University between July 1994 and October 2007. He was then employed by 北京普華雅龍科技有限公司 (Beijing Puhua Yalong Technology Company Limited*), a company principally engaged in the development and provision of electricity supply, production, sale and billing related software, as the deputy general manager between November 2007 and December 2011.

Non-executive Director

Mr. Yang Qi (楊麒), aged 36, was appointed as our non-executive Director on 18 October 2017 pursuant to the pre-IPO investment agreement entered into between, among others, our Company and Chance Talent, a wholly-owned subsidiary of CCBI Investments, it is expected that Mr. Yang will resign immediately prior to Listing. He is primarily responsible for participating in the decision making of our Directors with respect to major issues of our Group. He obtained a master’s degree in science from The University of Chicago in June 2010. Mr. Yang joined CCB International Asset Management Limited in April 2011 and is currently a director and team manager of the direct investment department of CCB International Asset Management Limited.

Independent non-executive Directors

Mr. Ng Kong Fat (吳光發), aged 62, was appointed as our independent non-executive Director on 5 February 2018. He graduated from the University of Stirling in Scotland in 1983 and was admitted as a member of the Institute of Chartered Accountants of Scotland in May 1987. Mr. Ng has over 20 years of experience in corporate, investment and financial management. Mr. Ng has joined the Beijing Enterprises Environment Group Limited (stock code: 154), a company listed on the Main Board of the Stock Exchange and principally engaged in solid waste treatment business in the PRC, as an executive director since July 1993.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Han Bin (韓彬), aged 64, was appointed as our independent non-executive Director on 5 February 2018. He graduated from North China Electric Power University (previously known as the North China Electric Power College) (“**North China Electric Power University**”) in the PRC in December 1979, majoring in electricity system communication.

Mr. Han has over 20 years of experience in the electric power selling and management system market in the PRC. Between August 1989 and November 1992, he joined 青島供電公司 (Tsingtao Electricity Supply Company*) (previously known as the 青島電業局 (Tsingtao Electricity Affair Department*)), a company principally engaged in the electric power grid despatch automation and the development and implementation of system communication (電網調度自動化及系統通信發展及實施), where he had worked at various positions, including assistant engineer, engineer and deputy head of the system operation department. Between December 1992 and May 1999, he joined 中國福霖風能開發公司 (China Fulin Wind Power Development Company*), a company principally engaged in alternative energy supply investment and construction, where he had worked as the deputy general manager of the project department. Between June 1999 and October 2013, he joined 龍源電力集團股份有限公司 (China Longyuan Power Group Corporation Limited*) (previously known as 龍源電力集團公司 (Longyuan Power Group Limited*)), a company principally engaged in the investment and construction of power plants, where he had worked at various positions, including assistant of the general manager, deputy chief engineer and project development department officer.

Mr. Wang Peng (王鵬), aged 44, was appointed as our independent non-executive Director on 5 February 2018. He graduated from the North China Electric Power University in the PRC in July 1994, majoring in electricity system and automation of electricity system. He obtained a master’s degree in engineering from the North China Electric Power University in January 1997. He then obtained a doctor’s degree in electricity system and automation of electricity system from the North China Electric Power University in April 2002.

Between April 1997 and May 2005, Mr. Wang worked in North China Electric Power University as a teaching staff. Mr. Wang was qualified as an associate professor from North China Electric Power University in November 2003. Between May 2005 and May 2015, he worked in 國家能源局華北監管局 (National Energy Administration North China Regulatory Authority*) (previously known as 國家電監會華北監管局 (National Electricity Regulatory Commission North China Regulatory Authority*)). Since May 2015, he has become a professor of North China Electric Power University.

Save as disclosed in this prospectus, each of our Directors confirms with respect to himself that: (i) he has not held any directorships in the last three years in any public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he does not have any relationship with any other Directors, senior management or substantial or controlling shareholders of our Company; (iii) he does not hold any positions in our Company or other members of our Group; (iv) he does not have any interests in our Shares within the meaning of Part XV of the SFO; (v) there is no other information that should be disclosed for him/her pursuant to the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules; and (vi) there are no other matters that need to be brought to the attention of holders of securities of our Company.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Position	Roles and responsibilities	Relationship with other senior management members/ Directors
Mr. Li Yanmin (李彦民)	53	1 October 2012	Deputy general manager	Project management for Software Systems and hardware	N/A
Mr. Di Xin (狄鑫)	41	8 August 2012	Deputy general manager	Sales and marketing	N/A
Mr. Zhou Hao (周昊)	33	1 June 2011	Assistant general manager	Research and development and project management for Technical Services	N/A
Mr. Xu Tong (徐桐)	35	1 August 2011	Assistant general manager	Project management for Software Systems	N/A
Mr. Zhu Enlei (朱恩磊)	37	20 October 2016	Financial controller	Financial management and compliance assurance	N/A

Mr. Li Yanmin (李彦民), aged 53, is the deputy general manager of our Group. Mr. Li joined our Group in October 2012 as the general manager of the research and development and customer service department of our Group and was promoted to the deputy general manager of our Group in April 2016. He is primarily responsible for project management for Software Systems and hardware of our Group. Mr. Li graduated with a bachelor's degree in electricity engineering from Wuhan University (previously known as 武漢水利電力學院 (Wuhan Hydro Electricity Institute*)) in the PRC in July 1987. He obtained a master's degree in electricity system and automation of electricity system from North China Electric Power University in January 1993.

Mr. Li has over 20 years of experience in the electric power selling and management system industry in the PRC. Prior to joining our Group, between July 1987 and September 1990, and between July 1993 and October 2007, Mr. Li served as a teacher in North China Electric Power University. Between November 2007 and September 2012, he served as the deputy general manager of 北京普華雅龍科技有限公司 (Beijing Puhua Yalong Technology Company Limited*), a company principally engaged in the development and provision of electricity supply, production, sale and billing related software, where he was responsible for software and technology development.

Mr. Di Xin (狄鑫), aged 41, is the deputy general manager of our Group. Mr. Di joined our Group in August 2012 as the deputy general manager of the research and development and customer service department of our Group and was promoted to the deputy general manager of our Group in January 2016.

DIRECTORS AND SENIOR MANAGEMENT

He is primarily responsible for sales and marketing of our Group. Mr. Di graduated from the Northeastern University in the PRC in July 1999 majoring in computer and application.

Mr. Di has over 10 years of experience in the information technology industry in the PRC. Prior to joining our Group, between May 2006 and July 2012, Mr. Di worked at various positions, including regional sales manager and client manager of the sales department of 廣州捷寶電子科技發展有限公司 (Guangzhou Jepower Electronic Technology Development Co., Ltd.*), a company principally engaged in the automation of the electric power selling and management in the PRC, where he was responsible for the management of the sales and tendering of various power supply related projects in the PRC.

Mr. Zhou Hao (周昊), aged 33, is the assistant general manager of our Group. Mr. Zhou joined our Group in June 2011 as the general manager of the research and development and customer service department of our Group. He is primarily responsible for the research and development and project management for Technical Services of our Group. Mr. Zhou graduated with a bachelor's degree in computer software from the Jilin University in the PRC in June 2014.

Mr. Zhou has over five years of experience in the information technology industry in the PRC. Prior to joining our Group, between June 2007 and June 2011, Mr. Zhou served as a JAVA software engineer and manager of research and development in 北京普華雅龍科技有限公司 (Beijing Puhua Yalong Technology Company Limited*), a company principally engaged in the development and provision of electricity supply, production, sale and billing related software, where he was responsible for the planning, development and maintenance of various electric power industry systems.

Mr. Xu Tong (徐桐), aged 35, is the assistant general manager of our Group. Mr. Xu joined our Group in August 2011 as the general manager of the research and development and customer service department of our Group. He is primarily responsible for the project management of Software Systems for our customers. Mr. Xu graduated with a bachelor's degree in computer science and technology from the Shenyang University in the PRC in July 2005.

Mr. Xu has over 10 years of experience in the electric power selling and management system industry in the PRC. Prior to joining our Group, between May 2006 and July 2011, Mr. Xu was employed by 北京普華雅龍科技有限公司 (Beijing Puhua Yalong Technology Company Limited*), a company engaged in the development and provision of electricity supply, production, sale and billing related software, where he was responsible for consultancy works and the design of the software systems for its customers.

Mr. Zhu Enlei (朱恩磊), *ACA, CICPA*, aged 37, was appointed as the financial controller of our Group in October 2016 and was primarily responsible for financial management and compliance assurance of our Group. He graduated with a bachelor's degree in business administration from the Capital University of Economics and Business in the PRC in July 2003. He obtained a master degree in enterprise management from the Capital University of Economics and Business in July 2006. Mr. Zhu was admitted as a member of the Chinese Institute of Certified Public Accountant in August 2008 and a member of the Institute of Chartered Accountants in England and Wales in July 2011.

Mr. Zhu has over 10 years of international experience in auditing, accounting and financial reporting. Prior to joining our Group, between August 2006 and September 2016, Mr. Zhu served as a senior manager of KPMG Huazhen LLP, where he was responsible for audit and accounting work.

DIRECTORS AND SENIOR MANAGEMENT

To best of the knowledge, information and belief of our Directors having made all reasonable enquiries, our senior management has not been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Ms. Yuen Wing Yan Winnie (袁穎欣), aged 46, was appointed as the company secretary of our Company on 30 November 2016 and is responsible for the company secretarial matters of our Group. Ms. Yuen is a director of corporate services of Tricor Services Limited (“**Tricor**”). Ms. Yuen graduated from Lingnan College (now known as Lingnan University). In October 2012, Ms. Yuen was admitted as a fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

Ms. Yuen has over 20 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Prior to joining Tricor in January 2004, Ms. Yuen was a manager of company secretarial department of Ernst & Young, Hong Kong, where she was responsible for handling various company secretarial matters of various clients. Ms. Yuen is currently the company secretary of two listed companies on the Stock Exchange, namely, China First Chemical Holdings Limited (stock code: 2121) and Genes Tech Group Holdings Company Limited (stock code: 8257).

BOARD COMMITTEES

We have established the following three committees: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with their terms of reference established by our Board.

Audit committee

We have established an audit committee on 5 February 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules.

Our audit committee has three members, namely Mr. Ng Kong Fat, Mr. Han Bin and Mr. Wang Peng, all of whom are our independent non-executive Directors. The chairman of our audit committee is Mr. Ng Kong Fat.

The primary responsibilities of our audit committee include, among others, (i) providing an independent view of the effectiveness of the financial reporting process, internal control, compliance and risk management systems of our Group; (ii) overseeing the audit process and performing other duties and responsibilities as assigned by our Board; (iii) developing and reviewing our policies and practices on corporate governance, compliance with legal and regulatory requirements and requirements under the Listing Rules; and (iv) developing, reviewing and monitoring the code of conduct applicable to our employees and Directors.

Remuneration committee

We have established a remuneration committee on 5 February 2018 with written terms of reference in compliance with Rule 3.25 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

Our remuneration committee has three members, namely Mr. Han Bin, Mr. Ng Kong Fat and Mr. Wang Dongbin, of whom Mr. Han Bin and Mr. Ng Kong Fat are our independent non-executive Directors and Mr. Wang Dongbin is an executive Director and our Chairman. The chairman of our remuneration committee is Mr. Han Bin.

The primary responsibilities of our remuneration committee include, among others, (i) making recommendations to the Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives; and (iii) making recommendations to our Board on the remuneration packages of Directors and senior management.

Nomination committee

We have established a nomination committee on 5 February 2018 with written terms of reference in compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules.

Our nomination committee has three members, namely Mr. Wang Dongbin, Mr. Han Bin and Mr. Wang Peng, of whom Mr. Han Bin and Mr. Wang Peng are our independent non-executive Directors and Mr. Wang Dongbin is an executive Director and our Chairman. The chairman of our nomination committee is Mr. Wang Dongbin.

The primary responsibility of our nomination committee is to make recommendations to our Board regarding candidates to fill vacancies on our Board and/or in senior management.

Corporate governance functions

The terms of reference of our Board include, among others, (i) developing and reviewing our Company's policies and practices on corporate governance and making recommendations to our Board; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring our Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and (v) reviewing our Company's compliance with the code and disclosure in the corporate governance report.

COMPLIANCE ADVISER

Our Company has appointed LY Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. According to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company in the following circumstances:

- (i) with respect to publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where its business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and

DIRECTORS AND SENIOR MANAGEMENT

- (iv) where the Stock Exchange makes an inquiry regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date when our Company distributes its annual report in relation to its financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration paid by us to our Directors, including salaries, allowances and contributions to retirement benefit scheme was approximately RMB914,000, RMB1,046,000, RMB1,012,000 and RMB397,000 for the three years ended 31 March 2017 and the five months ended 31 August 2017, respectively. Details of the arrangement for remuneration are set out in Note 8 to the Accountants' Report in Appendix I to this prospectus.

During the Track Record Period, the five individuals whose emoluments were the highest in our Group included two Directors. The aggregate amount of emoluments payable to the five highest paid individuals (including the two Directors), including salaries, allowances and contributions to retirement benefit scheme, during the Track Record Period was approximately RMB2,108,000, RMB2,232,000, RMB2,202,000 and RMB1,079,000, respectively.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. We regularly review and determine the remuneration and compensation packages of our Directors and senior management.

We have not paid any remuneration to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office during the Track Record Period. None of our Directors has waived any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable by us or any of our subsidiaries to our Directors during the Track Record Period. We estimate that we will pay an aggregate amount of approximately HK\$910,000 to our Directors as remuneration in respect of the year ending 31 March 2018, excluding any discretionary bonuses which may be paid to our Directors.

STAFF

In the PRC, in accordance with relevant national and local labour and social welfare laws and regulations, we are required to pay in respect of our employees in the PRC various social insurance including basic pension insurance, basic medical insurance, unemployment insurance, occupational injury insurance, and insurance for maternity leave.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are set out in the sub-paragraph headed "16. Share Option Scheme" under the paragraph headed "Other information" in Appendix IV to this prospectus.

SHARE CAPITAL

Without taking into account of Shares to be allotted and issued pursuant to the exercise of any options to be granted under the Share Option Scheme, the authorised and issued share capital of our Company will be as follows:

<i>Authorised</i>		<i>HK\$</i>
<u>2,000,000,000</u>	Shares	<u>20,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid:</i>		
11,878	Shares in issue as at the date of this prospectus	118.78
285,060,122	Shares to be issued under the Capitalisation Issue	2,850,601.22
<u>96,000,000</u>	Shares to be issued under the Global Offering	<u>960,000.00</u>
<u>381,072,000</u>	Shares in issue immediately upon Listing	<u>3,810,720.00</u>

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant thereto is made as described therein.

The above table, however, takes no account of any Shares which may be allotted and issued by our Company pursuant to the exercise of any options that may be granted under the Share Option Scheme and of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below.

The minimum level of public float to be maintained by our Company after Listing is 25% of the issued capital of our Company.

RANKING

The Offer Shares and our Shares that may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme will rank *pari passu* in all respects with all other existing Shares in issue as mentioned in this prospectus, and in particular, will be entitled to all dividends and other distributions hereafter declared, paid or made on our Shares after the date of this prospectus save for entitlements under the Capitalisation Issue.

ALTERATIONS OF SHARE CAPITAL

Our Company may from time to time by ordinary resolution or special resolution (as the case may be) of our Shareholders alter the share capital of our Company. For a summary of the provisions in the Articles regarding alterations of share capital, please refer to the sub-paragraph headed “(c) Alterations of capital” under the paragraph headed “ARTICLES OF ASSOCIATION” in Appendix III to this prospectus.

SHARE CAPITAL

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 5 February 2018. Under the Share Option Scheme, the eligible participants of the scheme, including directors, full-time employees of and advisers and consultants to our Company or our subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on the Listing Date. Further details of the rules of the Share Option Scheme are set out in the sub-paragraph headed “16. Share Option Scheme” under the paragraph headed “Other information” in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on 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:

- i. 20% of the number of issued Shares immediately following completion of the Global Offering but excluding any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme; and
- ii. the number of securities repurchased by our Company (if any) pursuant to the repurchase mandate (as referred to below).

The allotment and issue of Shares under a rights issue or pursuant to the exercise of any subscription rights, warrants which may be issued by our Company from time to time, scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, or on the options granted under the Share Option Scheme do not generally require the approval of shareholders of our Company in general meeting and the number of Shares which our Directors are authorised to allot and issue pursuant to this mandate will not be reduced by the allotment and issue of such Shares.

This mandate will expire at:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required by the Articles or any applicable laws to be held; and
- the date on which such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, see the sub-paragraph headed “3. Resolutions of our Shareholders” under the paragraph headed “Further information about our Group” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares of not more than 10% of the aggregate number of issued Shares immediately following completion of the Global Offering. This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the sub-paragraph headed “8. Repurchase by our Company of our own securities” under the paragraph headed “Further information about our Group” in Appendix IV to this prospectus.

This mandate will expire at:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required by the Articles or any applicable laws to be held; and
- the date on which such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, see the sub-paragraph headed “3. Resolutions of our Shareholders” under the paragraph headed “Further information about our Group” in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware of, immediately upon Listing (and without taking into account Shares to be allotted and issued pursuant to the exercise of any options to be granted under the Share Option Scheme), the following persons will have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange (as the case may be) under provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of members of our Group:

Name of Shareholder	Capacity/nature of interest	Upon Listing	
		Number and class of securities ⁽¹⁾	Approximate percentage of shareholding
Long Eagle	Beneficial owner	60,000,000 Shares ⁽²⁾ (L)	15.745%
Mr. Cao	Interest of controlled corporation	60,000,000 Shares (L)	15.745%
Ms. Wang Jiangping (王江平)	Interest of spouse	60,000,000 Shares ⁽³⁾ (L)	15.745%
Main Wealth	Beneficial owner	60,000,000 Shares ⁽⁴⁾ (L)	15.745%
Mr. Li	Interest of controlled corporation	60,000,000 Shares (L)	15.745%
Ms. An Ning (安寧)	Interest of spouse	60,000,000 Shares ⁽⁵⁾ (L)	15.745%
Smart East	Beneficial owner	60,000,000 Shares ⁽⁶⁾ (L)	15.745%
Mr. Wang	Interest of controlled corporation	60,000,000 Shares (L)	15.745%
Ms. Xiong Weiqin (熊衛琴)	Interest of spouse	60,000,000 Shares ⁽⁷⁾ (L)	15.745%
Union Sino	Beneficial owner	60,000,000 Shares ⁽⁸⁾ (L)	15.745%
Mr. Wu	Interest of controlled corporation	60,000,000 Shares (L)	15.745%
Ms. Zhang Jianhua (張建華)	Interest of spouse	60,000,000 Shares ⁽⁹⁾ (L)	15.745%
Chance Talent	Beneficial owner	45,072,000 Shares (L)	11.828%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Capacity/nature of interest	Upon Listing	
		Number and class of securities ⁽¹⁾	Approximate percentage of shareholding
CCBI Investments Limited	Interest of controlled corporation	45,072,000 Shares ⁽¹⁰⁾ (L)	11.828%
CCB International (Holdings) Limited	Interest of controlled corporation	45,072,000 Shares ⁽¹⁰⁾ (L)	11.828%
CCB Financial Holdings Limited	Interest of controlled corporation	45,072,000 Shares ⁽¹⁰⁾ (L)	11.828%
CCB International Group Holdings Limited	Interest of controlled corporation	45,072,000 Shares ⁽¹⁰⁾ (L)	11.828%
China Construction Bank Corporation	Interest of controlled corporation	45,072,000 Shares ⁽¹⁰⁾ (L)	11.828%
Central Huijin Investment Limited	Interest of controlled corporation	45,072,000 Shares ⁽¹⁰⁾ (L)	11.828%

Notes:

1. The letter “L” denotes long position in our Shares.
2. These Shares were held by Long Eagle, which was wholly owned by Mr. Cao.
3. These Shares were held by Long Eagle, which was wholly owned by Mr. Cao, and Ms. Wang Jiangping is the spouse of Mr. Cao.
4. These Shares were held by Main Wealth, which was wholly owned by Mr. Li.
5. These Shares were held by Main Wealth, which was wholly owned by Mr. Li, and Ms. An Ning is the spouse of Mr. Li.
6. These Shares were held by Smart East, which was wholly owned by Mr. Wang.
7. These Shares were held by Smart East, which was wholly owned by Mr. Wang, and Ms. Xiong Weiqin is the spouse of Mr. Wang.
8. These Shares were held by Union Sino, which was wholly owned by Mr. Wu.
9. These Shares were held by Union Sino, which was wholly owned by Mr. Wu, and Ms. Zhang Jianhua is the spouse of Mr. Wu.

SUBSTANTIAL SHAREHOLDERS

10. China Construction Bank Corporation was owned by Central Huijin Investment Limited as to approximately 57.31% as at the Latest Practicable Date. CCB International Group Holdings Limited was wholly owned by China Construction Bank Corporation as at the Latest Practicable Date. CCB Financial Holdings Limited was wholly owned by CCB International Group Holdings Limited as at the Latest Practicable Date. CCB International (Holdings) Limited was wholly owned by CCB Financial Holdings Limited as at the Latest Practicable Date. CCBI Investments Limited was wholly owned by CCB International (Holdings) Limited as at the Latest Practicable Date. Chance Talent was wholly owned by CCBI Investments Limited as at the Latest Practicable Date. Each of Central Huijin Investment Limited, China Construction Bank Corporation, CCB International Group Holdings Limited, CCB Financial Holdings Limited, CCB International (Holdings) Limited and CCBI Investments Limited is deemed to be interested in the Shares which Chance Talent is interested in.

Save as disclosed herein and in the sub-sub-paragraph headed “(d) Interests and short positions of our Directors in the Shares, underlying Shares or debentures of our Company and our associated corporations following the Global Offering” under the sub-paragraph headed “B. Directors” under the paragraph headed “Further information about Directors and Shareholders” in Appendix IV to this prospectus, our Directors are not aware of any persons who will, as at the Latest Practicable Date and immediately upon Listing (but without taking into account Shares to be issued pursuant to the exercise of any options to be granted under the Share Option Scheme), have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange (as the case may be) under provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of members of our Group other than our Company.

FINANCIAL INFORMATION

*You should read the following discussion and analysis of our Group's financial condition and results of operation together with our consolidated financial information as at the closing date of and for each of the three years ended 31 March 2017 and the five months ended 31 August 2017 and the accompanying notes (collectively, the “**Financial Information**”) included in the Accountants' Report set out in Appendix I to this prospectus. The Financial Information has been prepared in accordance with IFRSs. Potential investors should read the whole of the Accountants' Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section.*

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties (including those discussed below or elsewhere in the prospectus). For the purposes of this section, unless the context otherwise requires, references to 2014, 2015 and 2016 refer to our financial years ended 31 March 2014, 2015 and 2016, respectively. For additional information regarding these risks and uncertainties, please refer to the section headed “Risk factors” in this prospectus.

OVERVIEW

We are an information technology service provider in China's electric power industry. Our product/service offerings primarily include: electric power related software systems, technical services and hardware.

In the value chain of China's electric power industry, electric power, in general, is generated from electric power generation companies and then being transmitted and distributed to electricity users by electric power grid companies and the electric power retailing companies. With the introduction of the New Reform by the State Council in March 2015 which promotes the electric power exchange platforms to facilitate trading of electricity for various market participants in the electric power industry, electricity generated by electric power generation companies can be bought and sold among the aforesaid market participants. We mainly provide Software Systems and Technical Services to electric power grid companies and electric power retailing companies in the electric power transmission and distribution sector of China's electric power industry, as there is (i) continuous demand from electric power grid companies and electric power retailing companies in information technology services and the relevant upgrading and maintenance services to control and manage transmission and distribution of electric power automatically and more efficiently; and (ii) electric power exchange platform is promoted as a result of the New Reform to facilitate trading of electricity for various market participants in the electric power industry, such as electric power grid companies, electric power retailing companies and electricity users. We also provide Technical Services in relation to electric power exchange by providing technical staff to SGCC Group in relation to its electric power exchange platform. During the Track Record Period, our product/service offerings and major customers and users are as follows:

Business segment	Major product/service offerings	Major customers/users
Sale of Software Systems	Software Systems in relation to electric power selling and management, with major functions including data collection and monitoring, customer services, billing and payment as well as administration in relation to electric power selling and management	– IMPG Group and other local electric power grid companies

FINANCIAL INFORMATION

Business segment	Major product/service offerings	Major customers/users
Provision of Technical Services	Technical Services in relation to electric power selling and management: maintenance and upgrading services for software systems in relation to electric power selling and management	– IMPG Group and other local electric power grid companies
	Technical Services in relation to electric power exchange: outsourcing services by providing technical staff to customer in relation to the electric power exchange platform of the customers	– SGCC Group
Sale of hardware	Hardware in relation to electric power selling and management for payment of electricity bills and meter readers	– Electric power grid companies

Note: We disposed of certain businesses to Chinasoft Beijing in 2012 and undertook that we should no longer carry out services in relation to electric power selling and management for SGCC Group. For details, please refer to the sub-sub-paragraph headed “(3) The Along Grid’s Undertaking” under the sub-paragraph headed “(iii) The Disposal” under the paragraph headed “Business development of our Group” in the section headed “History and development and Reorganisation” of this prospectus.

For further details regarding the background of the electric power transmission and distribution industry in the PRC, please refer to the paragraph headed “Overview” under the section headed “Business” in this prospectus.

SGCC Group and IMPG Group are the companies operating the electric power grids in the PRC covering more than 80% of China’s national territory in terms of area in 2016, according to the CIC Report. According to the CIC Report, the electric power selling and management system industry in China was highly concentrated with top seven companies accounting for approximately 95.0% in aggregate in terms of revenue in 2016, and we are one of those companies. According to the CIC Report, with the implementation of the New Reform, electric power retailing companies are able to purchase and resell electricity. The total number of registered electric power retailing companies is expected to increase going forward. As electric power selling and management system can be regarded as a necessity for the operation of electric power retailing services, the penetration rate of electric power selling and management system among the electric power retailing companies is expected to continue to grow between 2017 and 2021. We plan to expand our customer base by approaching electric power distribution companies, including electric power retailing companies.

For each of the three years ended 31 March 2017 and the five months ended 31 August 2017, our revenue and net profit amounted to approximately RMB47.9 million, RMB59.0 million, RMB87.3 million and RMB27.3 million, and approximately RMB13.4 million, RMB22.2 million, RMB18.0 million and RMB6.1 million respectively.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial and trading position or prospects since 31 August 2017, and there is no event since 31 August 2017 which would materially affect the information shown in the Accountants’ Report as set out in Appendix I to this prospectus.

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BASIS OF PRESENTATION

Prior to our Reorganisation, our Founding Shareholders, namely Mr. Wang, Mr. Wu, Mr. Cao and Mr. Li indirectly owned Along Grid which is principally engaged in the design, development and maintenance of Software Systems and Technical Services for electric power grid companies and electric power distribution companies in the PRC and sale of relevant hardware. To rationalise the corporate structure in preparation of the issuance of the Shares on the Stock Exchange, our Company was incorporated in the Cayman Islands on 5 July 2016 and our Group underwent our Reorganisation. Upon completion of our Reorganisation, our Company became the parent company of Along Grid and the holding company of our Group.

The companies that took part in our Reorganisation were controlled by the same Founding Shareholders before and after our Reorganisation and there were no changes in the economic substance of the ownership and the business of Along Grid. Our Reorganisation only involved inserting our Company, First Magic and Citimax Development as holding companies of Along Grid and there was no change in business and operation of Along Grid. Accordingly, no business combination has occurred and our Reorganisation has been accounted for using a principle similar to that for a reverse acquisition as set out in IFRS 3, Business combinations, with Along Grid treated as the acquirer for accounting purposes. The Financial Information comprising our Company and its subsidiaries has been prepared as a continuation of the financial statements of Along Grid with the assets and liabilities of Along Grid recognised and measured at their historical carrying amounts prior to our Reorganisation.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information.

Our Reorganisation completed on 5 August 2016. At the Latest Practicable Date, our Company had a direct interest in the following subsidiaries, which are private companies. The particulars of the subsidiaries are set out below:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up capital	Equity attributable to our Company	Principal activity
First Magic	BVI 9 June 2015	1 share of US\$1 each	100%	Investment holding
Citimax Development	Hong Kong 26 January 2016	1 share	100%	Investment holding
Along Grid	PRC 25 May 2011	RMB50,000,000	100%	Design, implementation, enhancement, upgrades and maintenance of software systems and technical services and the sale of relevant hardware

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KEY FACTORS AFFECTING OUR RESULTS OF OPERATION AND FINANCIAL CONDITION

Our business, financial positions and results of operation have been significantly affected by a number of factors, many of which may not be within our control. The principal factors affecting our results of operation are set out below:

Reliance on major customers

During the Track Record Period, our business relied mainly on a few customers. For the three years ended 31 March 2017 and the five months ended 31 August 2017, our five major customers accounted for approximately 98.63%, 98.89%, 97.23% and 98.35% of our total revenue, of which our largest customer accounted for approximately 35.15%, 42.71%, 56.08% and 69.82% of our total revenue. All of our business with our five major customers was attributable to project-based services.

Our businesses were mainly secured by way of public tendering. There is no assurance that we will be awarded with such tenders and our major customers will continue to do business with us at the same level or increased levels or at all. In the event that there is a significant reduction of work, either in terms of volume or value, from our major customers and our Group is unable to secure work contracts from existing or new customers to compensate for such loss of business, our business, results of operation and profitability may be adversely affected.

Pricing of our Software Systems and our Technical Services

Most of our revenue is generated from projects acquired through tendering and bidding. The contract price of our tendering and bidding of projects is to a large extent, affected by the tenders offered by our customers since the cost analysis in our bidding proposal has to be in line with the requirements and within the budget of our customers.

When we estimate our costs for a project, we will take into account a number of factors such as the complexity of the services to be provided, expected manpower required to perform such services, and cost estimates for materials required.

The pricing of our projects may fluctuate and is subject to our various considerations which enable us to retain our competitiveness in the tender process. The fluctuation in the pricing of our projects will affect our operations and profitability.

On the other hand, as we execute our projects at a fixed price, we may be unable to recover any cost overruns. The actual costs may differ from our Group's estimation due to unanticipated technical problems which may require us to incur costs we cannot recoup, failure to properly estimate the repair or maintenance requirements of our customers and other unforeseen reasons. In the event that the costs of contracts increase unexpectedly to the extent that we have to incur substantial extra costs without sufficient compensations, the financial performance and profitability of our Group will be adversely affected.

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Progress of our projects

Our sale of Software Systems and our provision of Technical Services are mainly project based. Our Group uses “percentage of completion method” to determine the appropriate amount of revenue to be recognised in a given period for the services rendered. For further details regarding revenue recognition for our sale of Software Systems and our provision of Technical Services, please refer to the sub-paragraph headed “Revenue recognition” under the paragraph headed “Significant accounting policies and estimates” below.

Taxation

Our operating subsidiary, Along Grid, enjoyed a preferential income tax rate of 12.5% for the calendar years of 2013, 2014 and 2015. Furthermore, Along Grid is also entitled to the preferential income tax rate of 15% for the calendar year of 2016 and 2017 which is available to high and new technology enterprises. As a result of the abovementioned preferential tax treatments, our effective income tax rate was 13.36%, 13.52%, 17.00% and 17.10% for the three years ended 31 March 2017, and the five months ended 31 August 2017 respectively. The current “high and new technology enterprise” qualification of Along Grid was obtained in December 2016 for a valid period of three years. We believe there is no legal impediment for us to renew such qualifications. Termination or revision of the preferential tax treatments that we currently enjoy would have a negative impact on our results of operations and financial condition.

Regulatory environment of electric power industry in the PRC

We currently generate most of our revenues and profits from the sale of Software Systems and the provision of Technical Services for electric power generation companies in the PRC. The electric power industry in the PRC is regulated by the PRC government and any changes in the regulatory environment in such sector may affect our business and results of operation.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies and estimates significant to the preparation of our Financial Information. The Accountants’ Report in Appendix I to this prospectus sets out these significant accounting policies in Note 1, which are important for an understanding of our financial condition and results of operation.

Certain of our accounting policies involve judgement and estimates that are discussed in Note 2 to the Accountants’ Report in Appendix I to this prospectus. Our estimates are based on historical experience and other factors that management believes to be reasonable under the circumstances. Actual results may differ from these estimates. Our management has identified below accounting policies that are most critical to the preparation of our Financial Information.

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Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to our Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of software systems

Revenue from the provision of Software Systems is recognised using the percentage of completion method. Revenue from a fixed price contract is measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(ii) Render of technical services

Revenue from the rendering of Technical Services is recognised by reference to the stage of completion of the transaction based on the progress of work performed.

(iii) Sale of hardware

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when our customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any sales discounts.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

Project contracts in progress

Project contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in our Group's contract activities based on normal operating capacity.

Project contracts in progress are presented as part of trade and other receivables in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred revenue in the statement of financial position.

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Intangible assets

Expenditure on an internal research and development projects is distinguished between the expenditures during the research phase and expenditures during the development phase. Research activities involve original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development activities involve a plan or design for the production of new or substantially improved materials, devices, products and processes before the start of commercial production or use.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and our Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses. Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by our Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Impairment of assets

(i) Impairment of receivables

Receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of our Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial

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recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior periods.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and bills receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When our Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and bill receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets; and
- investments in subsidiaries in our Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

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- *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

- *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Impairment losses for bad and doubtful debts

Our Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. Our Group bases the estimates on the aging of the receivable balance, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

Service contracts

Revenue recognition on an uncompleted service project is dependent on estimating the total outcome of the service contract, as well as the work done to date. Based on our Group's recent experience and the nature of the service activity undertaken by our Group, our Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work will not include profit which our Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future periods as an adjustment to the amounts recorded to date.

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RESULTS OF OPERATION

The following table sets out our consolidated statements of profit or loss for the Track Record Period extracted from the Accountants' Report included in Appendix I to this prospectus:

	Year ended 31 March			Five months ended 31 August	
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
				(unaudited)	
Revenue	47,899	59,047	87,338	20,312	27,309
Cost of sales	(24,810)	(28,561)	(47,882)	(11,298)	(14,545)
Gross profit	23,089	30,486	39,456	9,014	12,764
Other income	819	3,249	4,806	1,083	4,440
Selling expenses	(2,610)	(2,822)	(4,457)	(1,503)	(1,803)
Administrative and other operating expenses	(4,648)	(4,775)	(18,113)	(4,331)	(8,073)
Profit from operations	16,650	26,138	21,692	4,263	7,328
Finance costs	(1,159)	(503)	—	—	—
Profit before taxation	15,491	25,635	21,692	4,263	7,328
Income tax	(2,070)	(3,467)	(3,688)	(774)	(1,253)
Profit for the year/period attributable to equity shareholders of the Company	<u>13,421</u>	<u>22,168</u>	<u>18,004</u>	<u>3,489</u>	<u>6,075</u>

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DISCUSSION OF CERTAIN KEY ITEMS ON THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

Our revenue was derived from (i) sale of Software Systems; (ii) provision of Technical Services; and (iii) sale of hardware. The following table sets out a breakdown of our total revenue by segment and customer for the period presented:

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
(unaudited)										
Sale of Software Systems										
– IMPG Group	5,673	11.8	17,628	29.9	34,777	39.8	5,358	26.4	14,590	53.4
– Tianjin TEDA	1,655	3.5	—	0.0	3,419	3.9	2,358	11.6	—	0.0
– Others	405	0.8	3,480	5.8	4,639	5.2	870	4.3	—	0.0
<i>Sub-total:</i>	<u>7,733</u>	<u>16.1</u>	<u>21,108</u>	<u>35.7</u>	<u>42,835</u>	<u>48.9</u>	<u>8,586</u>	<u>42.3</u>	<u>14,590</u>	<u>53.4</u>
Provision of Technical Services										
– IMPG Group	3,784	7.9	3,049	5.2	4,460	5.1	2,104	10.4	3,440	12.6
– SGCC Group	16,421	34.3	20,247	34.3	20,843	23.9	6,817	33.6	6,251	22.9
– Tianjin TEDA	129	0.3	11	0.0	271	0.3	—	0.0	314	1.1
– Chinasoft Beijing	12,448	26.0	9,060	15.3	—	0.0	—	0.0	—	0.0
– Others	392	0.8	3	0.0	45	0.1	45	0.2	450	1.6
<i>Sub-total:</i>	<u>33,174</u>	<u>69.3</u>	<u>32,370</u>	<u>54.8</u>	<u>25,619</u>	<u>29.4</u>	<u>8,966</u>	<u>44.1</u>	<u>10,455</u>	<u>38.3</u>
Sale of hardware										
– IMPG Group	3,392	7.1	4,540	7.7	9,745	11.3	1,148	5.7	1,039	3.8
– SGCC Group	414	0.9	385	0.7	—	0.0	—	0.0	—	0.0
– Tianjin TEDA	2,985	6.2	479	0.8	2,078	2.4	1,400	6.9	252	0.9
– Others	201	0.4	165	0.3	7,061	8.0	212	1.0	973	3.6
<i>Sub-total</i>	<u>6,992</u>	<u>14.6</u>	<u>5,569</u>	<u>9.5</u>	<u>18,884</u>	<u>21.7</u>	<u>2,760</u>	<u>13.6</u>	<u>2,264</u>	<u>8.3</u>
Total	<u><u>47,899</u></u>	<u><u>100.0</u></u>	<u><u>59,047</u></u>	<u><u>100.0</u></u>	<u><u>87,338</u></u>	<u><u>100.0</u></u>	<u><u>20,312</u></u>	<u><u>100.0</u></u>	<u><u>27,309</u></u>	<u><u>100.0</u></u>

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Cost of sales

Our cost of sales primarily consists of purchase cost of equipment and materials, labour costs, servicing costs, rental expenses and, travel and transportation expenses. The following table sets out a breakdown of our cost of sales by item for the periods presented:

	Year ended 31 March			Five months ended 31 August	
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
				(unaudited)	
Labour costs	14,927	16,541	19,369	7,105	4,857
Servicing costs	478	1,815	5,848	1,433	2,339
Rental expenses	1,164	2,246	2,411	1,068	1,154
Travel and transportation expenses	2,484	2,657	3,789	1,431	1,641
Others	956	1,981	3,186	1,052	1,269
<i>Sub-total</i>	<u>20,009</u>	<u>25,240</u>	<u>34,603</u>	<u>12,089</u>	<u>11,260</u>
Purchase cost of equipment and materials	6,559	4,196	15,653	1,965	1,661
Net movement in inventory balance during the year	(1,119)	(1,591)	(3,135)	(2,869)	1,017
– less transfer of software and patent rights focus on provision of extended services via lampposts	(847)	—	—	—	—
Business tax and surcharges	208	716	761	113	607
Total	<u>24,810</u>	<u>28,561</u>	<u>47,882</u>	<u>11,298</u>	<u>14,545</u>

The following table sets out a breakdown of our cost of sales by segment for the periods presented:

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Sale of Software Systems	3,591	14.5	7,487	26.2	17,368	36.3	4,055	35.9	5,838	40.1
Provision of Technical Services	14,454	58.3	16,173	56.6	14,138	29.5	5,165	45.7	6,439	44.3
Sale of hardware	6,557	26.4	4,185	14.7	15,615	32.6	1,965	17.4	1,661	11.4
Business taxes and surcharges	208	0.8	716	2.5	761	1.6	113	1.0	607	4.2
Total	<u>24,810</u>	<u>100.0</u>	<u>28,561</u>	<u>100.0</u>	<u>47,882</u>	<u>100.0</u>	<u>11,298</u>	<u>100.0</u>	<u>14,545</u>	<u>100.0</u>

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Gross profit and gross profit margin

The following table sets out a breakdown of our gross profit and gross profit margin by segment and customer for the periods presented:

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>	
	<i>profit</i>	<i>margin</i>	<i>profit</i>	<i>margin</i>	<i>profit</i>	<i>margin</i>	<i>profit</i>	<i>margin</i>	<i>profit</i>	<i>margin</i>
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Sale of Software Systems										
– IMPG Group	3,384	59.7	10,963	62.2	21,188	60.9	3,322	62.0	8,321	57.0
– Tianjin TEDA	452	27.3	—	—	964	28.2	618	26.2	—	—
– Others	245	60.5	2,254	64.8	2,877	62.0	524	60.3	—	—
<i>Sub-total:</i>	<u>4,081</u>	<u>52.8</u>	<u>13,217</u>	<u>62.6</u>	<u>25,029</u>	<u>58.4</u>	<u>4,464</u>	<u>52.0</u>	<u>8,321</u>	<u>57.0</u>
Provision of Technical Services										
– IMPG Group	2,476	65.4	2,242	73.5	3,196	71.7	1,422	67.6	2,062	59.9
– SGCC Group	8,048	49.0	6,773	33.5	8,010	38.4	2,336	34.3	1,586	25.4
– Tianjin TEDA	72	55.8	6	54.5	149	55.0	—	—	73	23.2
– Chinasoft Beijing	7,813	62.8	6,967	76.9	—	—	—	—	—	—
– Others	219	55.9	3	99.9	21	46.7	18	39.7	186	41.4
<i>Sub-total:</i>	<u>18,628</u>	<u>56.2</u>	<u>15,991</u>	<u>49.4</u>	<u>11,376</u>	<u>44.4</u>	<u>3,776</u>	<u>42.1</u>	<u>3,907</u>	<u>37.4</u>
Sale of hardware										
– IMPG Group	201	5.9	933	20.6	1,868	19.2	302	26.3	286	27.6
– SGCC Group	21	5.1	109	28.3	—	—	—	—	—	—
– Tianjin TEDA	111	3.7	137	28.6	444	21.4	413	29.5	92	36.3
– Others	47	23.4	99	60.0	739	10.5	59	27.8	158	16.3
<i>Sub-total:</i>	<u>380</u>	<u>5.4</u>	<u>1,278</u>	<u>22.9</u>	<u>3,051</u>	<u>16.2</u>	<u>774</u>	<u>28.0</u>	<u>536</u>	<u>23.7</u>
Total	<u>23,089</u>	<u>48.2</u>	<u>30,486</u>	<u>51.6</u>	<u>39,456</u>	<u>45.2</u>	<u>9,014</u>	<u>44.4</u>	<u>12,764</u>	<u>46.7</u>

The gross profit margin for our sale of Software Systems to IMPG Group was relatively higher than that to other customers. After completion of the initial stage of the development ground work for the electric power selling and management software systems of IMPG Group in or around 2011, the relevant software systems require continuous upgrading with incorporation of new features and fine-tuning of their existing functions, and the relevant software systems have been expanded and deployed in more regions of the western Inner Mongolia by stages. Our Group has been the major provider of the relevant Software Systems and Technical Services to IMPG Group since 2011 and have maintained a long business relationship with IMPG Group. As a result, we are more familiar with the specific requirements of IMPG Group as to their demand for our Software Systems, as compared to other customers. For example, for the year ended 31 March 2017, our Group was engaged in a series of rural access selling and management software systems development projects by IMPG Group in places such as Ordos, Hohhot,

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Xilingol and other four places where the major electricity sub-bureaus are situated in. The aim of such projects was to connect the individual members of IMPG Group in these places to the central electric power selling and management software systems of IMPG Group. Therefore, the requirements from the relevant members of IMPG Group were comparatively standardised and similar, and a lower degree of adjustment was required for each of the individual members of IMPG Group. As stated in the sub-paragraph headed “Cost of sales” above, labour costs represent a large portion of our cost of sales. Therefore, the above similarity in IMPG Group’s demand and requirement allowed fewer human resources and lower costs to be incurred for our sale of Software Systems to IMPG Group. Thus, we were more capable to control the cost of sales for our sale of Software Systems to IMPG Group, as compared to other customers. On the other hand, as stated above, our Group 1) has accumulated experience and technical knowledge in IMPG Group’s electric power selling and management systems and its specific requirement; and 2) has established local client-service team and network in the Inner Mongolia over the years. Therefore, our Group has relatively strong bargaining power in relation to its business with IMPG Group.

On the other hand, the gross profit margin for our sale of Software Systems to Tianjin TEDA was relatively lower than that of other customers as the Software Systems provided to Tianjin TEDA involved a wide range of functions, including but not limited to mobile messaging application extension services, online self-services and sale of electricity with connection with banks. Tianjin TEDA is one of the first batch of electric power distribution companies established in the PRC operating electric power grids at county level with corporate characteristics different from that of other customers of our Group. Therefore, the level of complexity of the development of Software Systems for Tianjin TEDA was higher as more customisation of our Software Systems was required. Therefore, the cost of sales of our Software Systems to Tianjin TEDA was higher, resulting in a lower gross profit margin.

In respect of our provision of Technical Services, the gross profit margin for IMPG Group was also relatively higher than that for other customers since (i) the nature of Technical Services provided by us to IMPG Group differed from that to SGCC Group; and (ii) we were more familiar with the requirements of IMPG Group than that of other customers. First, the Technical Services provided by us to IMPG Group generally focused on the provision of software system operational maintenance and necessary upgrading the Software Systems (also developed by us). These often involved tasks with a higher level of technicality and we were required to bear higher risk in decision-making mainly as the relevant software systems were developed by us. However, the Technical Services provided by us to SGCC Group mainly focused on outsourcing services by providing technical staff to SGCC Group in relation to electric power exchange. We send our technical staff to SGCC Group according to its request and specific requirement. Second, as stated above, we were more familiar with the electric power selling and management system of IMPG Group and the requirements from the relevant members of IMPG Group were comparatively standardised and similar, as compared to other customers. As such, we were more capable to control the cost of sales for our provision of Technical Services to IMPG Group, and hence achieved a relatively higher gross profit margin for our provision of Technical Services to IMPG Group, as compared to other customers.

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Other income

The following table sets out a breakdown of our other income for the periods presented:

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Refunds of VAT	794	97.0	2,184	67.2	4,725	98.3	1,080	99.7	4,248	95.7
Income in connection with arbitration case	—	—	1,000	30.8	—	—	—	—	—	—
Others	25 ^(Note)	3.0	65	2.0	81	1.7	3	0.3	192	4.3
Total	819	100.0	3,249	100.0	4,806	100.0	1,083	100.0	4,440	100.0

Note: Net the consideration regarding the transfer of software and patent rights focus on provision of extended services via lampposts in 2015, which was recognised in intangible assets. For further details, please refer to the sub-paragraph headed “Intangible assets” under the paragraph headed “Discussion of certain key items on the consolidated statements of financial position” below.

Refund of VAT represents the refund of the VAT pursuant to the relevant tax regulations in the PRC in relation to sale of self-developed software in the PRC. Pursuant to the relevant tax rules and regulations in the PRC, entities engage in the sale of self-developed software in the PRC and pay VAT at a rate of 17% are entitled to a VAT refund to the extent of the VAT payable in excess of 3% of the self-developed software sold.

Refunds of VAT are of a recurring nature as such refunds are income generating from our sale of software systems in our ordinary and usual course of business. Further, such refunds are not arbitrary but are stipulated in relevant tax rules and regulations in the PRC and fixed to the extent of the VAT payable in excess of 3% of the self-developed software sold. Refunds of VAT are common in the software industry and not depending, to a large extent, on the discretion of the tax bureau. Based on our experience and historical fact pattern, only administrative filing procedures are required before claiming for such VAT refunds by software entities.

Arbitration award represents income derived from an arbitration award in 2015. In 2015, Along Grid was involved in an arbitration against a customer in connection with a dispute over outstanding payments from a sale took place in 2012. According to the arbitration award dated 26 August 2015, the arbitration tribunal in the PRC ruled in favour of Along Grid where this customer was required to settle its outstanding payments with Along Grid plus late penalties and interest of RMB1,000,000.

Others mainly represent (i) government subsidy income received by our Group for the payment of our interest expense of bank loans under the relevant measure issued by the Zhongguancun Science Park with a view to promote the development of the innovative enterprises in the PRC; and (ii) foreign exchange gain in relation to our proceeds from our pre-IPO investment.

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Selling expenses

The following table sets out a breakdown of our selling expenses for the periods presented:

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Labour costs	1,166	44.7	1,326	47.0	1,553	34.8	653	43.4	628	34.8
Tender service fees	30	1.1	341	12.1	627	14.1	119	7.9	268	14.9
Office and related expenses	695	26.6	522	18.5	957	21.5	361	24.0	369	20.5
Entertainment and related expenses	634	24.3	534	18.9	891	20.0	334	22.2	514	28.5
Others	85	3.3	99	3.5	429	9.6	36	2.4	24	1.3
Total	2,610	100.0	2,822	100.0	4,457	100.0	1,503	100.0	1,803	100.0

Our selling expenses primarily consist of salary paid for our sales and marketing staff, office and related expenses, and entertainment and related expenses. For the three years ended 31 March 2017 and the five months ended 31 August 2017, our selling expenses represented approximately 5.4%, 4.8%, 5.1% and 6.6%, respectively, of our revenue.

Administrative and other operating expenses

The following table sets out a breakdown of our administrative and other operating expenses for the periods presented:

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Labour costs	1,777	38.2	2,025	42.4	4,227	23.3	1,230	28.4	5,064	62.7
Rental expenses	354	7.6	433	9.1	406	2.2	66	1.5	163	2.0
Professional expenses	896	19.3	536	11.2	1,197	6.6	946	21.8	380	4.7
Office and related expenses	778	16.7	886	18.6	817	4.5	488	11.3	760	9.4
Entertainment and related expenses	436	9.4	422	8.8	418	2.3	84	1.9	202	2.5
Statutory audit fees	110	2.4	64	1.3	110	0.6	107	2.5	64	0.8
Training expenses	9	0.2	—	—	357	2.0	—	—	—	—
Amortisation of intangible assets	67	1.4	67	1.4	67	0.4	28	0.6	28	0.3
Costs incurred in connection with the proposed initial public offering of the Company's shares	—	—	—	—	8,533	47.1	1,211	28.0	1,197	14.8
Others	221	4.8	342	7.2	1,981	11.0	171	3.9	215	2.7
Total	4,648	100.0	4,775	100.0	18,113	100.0	4,331	100.0	8,073	100.0

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Our administrative and other operating expenses primarily consist of salary paid for our administrative staff, and office and related expenses. For the three years ended 31 March 2017 and the five months ended 31 August 2017, our administrative and other operating expenses represented approximately 9.7%, 8.1%, 20.7% and 29.6%, respectively, of our revenue.

Finance costs

The following table sets out our finance costs for the periods presented:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Finance costs	1,159	503	—	—	—

For each of the three years ended 31 March 2017 and the five months ended 31 August 2017, the effective interest rate for borrowings was approximately 7.20%, nil, nil and nil per annum, respectively.

Income tax

We are subject to PRC enterprise income tax of 25% as our operating subsidiary, Along Grid, is located in the PRC.

Our subsidiary, namely, Along Grid, was established in the PRC and has obtained the “Software and Integrate Circuit Enterprise” certificate which issued by the local authorities and is entitled to a tax holiday of a 2-year full exemption followed by a 3-year 50% exemption commencing from the first profitable year in which profit before taxation is firstly derived. Therefore, the Along Grid enjoyed a preferential PRC Corporate Income Tax rate of 12.5% for the calendar years of 2013, 2014 and 2015. Along Grid had obtained approvals from the tax bureau to be taxed as an enterprise with advanced and new technologies, and therefore enjoyed a preferential PRC Corporate Income Tax rate of 15% for the calendar years from 2016 to 2019.

The effective tax rate of our Group was approximately 13.4%, 13.5%, 17.0% and 17.10% for the three years ended 31 March 2017 and the five months ended 31 August 2017, respectively.

As at the Latest Practicable Date, we did not have any disputes or unresolved issues with the relevant tax authorities.

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PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATION

Five months ended 31 August 2017 compared to five months ended 31 August 2016

Revenue

Our revenue increased from approximately RMB20.3 million for the five months period ended 31 August 2016 to approximately RMB27.3 million for the same period of 2017, with an increase of approximately 34.5%. The increase was mainly attributable to an increase in revenue derived from our sale of Software Systems.

Our revenue derived from our sale of Software Systems increased by approximately 69.8%, from approximately RMB8.6 million for the five months period ended 31 August 2016 to approximately RMB14.6 million for the same period in 2017, as we continued to be engaged in a series of rural access selling and management software systems projects with IMPG Group. In particular, the projects in Hohhot and Bayannur contributed approximately RMB6.5 million and RMB8.1 million to our revenue during the five months ended 31 August 2017.

Our revenue derived from our provision of Technical Services increased by approximately 16.7%, from approximately RMB9.0 million for the five months period ended 31 August 2016 to approximately RMB10.5 million for the same period in 2017, mainly due to business growth with our existing customers, i.e. IMPG Group and Tianjin TEDA, for the provision of annual maintenance services and the average contract sum in general increased.

Our revenue derived from our sale of hardware decreased by approximately 17.9%, from approximately RMB2.8 million for the five months ended 31 August 2016 to approximately RMB2.3 million for the same period in 2017, mainly due to completion of a smart electric metering exchange programme with Tianjin TEDA, which involved the sale of hardware by our Group, in March 2017.

Cost of sales

Our cost of sales increased by approximately 28.3%, from approximately RMB11.3 million for the five months ended 31 August 2016 to approximately RMB14.5 million for the same period in 2017, which was mainly in line with our revenue growth. Such increase in the cost of sales was principally due to an increase in cost of sales incurred in the sale of Software Systems, which was mainly attributable to the further implementation of a number of sizeable rural access selling and management software systems projects with IMPG Group in Hohhot and Bayannur and inventory costs in relation to these two projects.

Gross profit and gross profit margin

Our gross profit increased by approximately 42.2%, from approximately RMB9.0 million for the five months ended 31 August 2016 to approximately RMB12.8 million for the same period in 2017. The increase was mainly driven by the increase in revenue derived from our sale of Software Systems. As explained above, with the further implementation of a number of sizeable rural access selling and management software systems projects with IMPG Group and the proportionate growth in both of our revenue and our cost of sales, our gross profit increased as a result.

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Our overall gross profit margin improved from approximately 44.4% for the five months ended 31 August 2016 to approximately 46.7% for the same period in 2017, which was mainly attributable to the increase in the proportion of our revenue derived from the sale of Software Systems to IMPG Group, which had a higher gross profit margin than that of the other product/service provided by our Group. Such higher gross profit margin of the sale of Software Systems to IMPG Group was primarily due to our stronger customer relationship and familiarity of customer's system and as a result, stronger bargaining power and more efficient cost control.

Other income

Other income increased by approximately 311.1%, from approximately RMB1.08 million for the five months ended 31 August 2016 to approximately RMB4.44 million for the same period in 2017, which was mainly attributable to an increase in the VAT refund income received due to the increase in our revenue derived from the sale of Software Systems.

Selling expenses

Our selling expenses increased by approximately 20.0%, from approximately RMB1.50 million for the five months ended 31 August 2016 to approximately RMB1.80 million for the same period in 2017, which were mainly attributable to the increase in tender service fee and entertainment and related expense as a result of our effort to expand our business and expand our customers' base.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately 86.4%, from approximately RMB4.33 million for the five months ended 31 August 2016 to approximately RMB8.07 million for the same period in 2017 as we accelerated our research and development activities regarding Software Systems in relation to electric power exchange platform, smart charging management system and electric power retailing system and incurred relevant costs of approximately RMB3.95 million in total.

Finance costs

We did not incur any finance costs in each of the five months ended 31 August 2016 and 2017 respectively as all our interest bearing borrowings have been repaid in full in November 2015.

Income tax

Income tax expenses increased by approximately 62.3%, from approximately RMB0.77 million for the five months ended 31 August 2016 to approximately RMB1.25 million for the same period in 2017, which was mainly driven by higher revenue and gross profit generated from our sale of Software Systems and provision of Technical Services in current period. Our effective tax rate is approximately 17.10% for the current period, which is generally in line with the preferential tax rate of 15% that we are currently entitled to and with the preceding financial year (i.e. 17.0% for the year ended 31 March 2017).

Profit attributable to equity shareholders of the Company

As a result of the foregoing, our profit for the five months ended 31 August 2017 increased by approximately 74.2%, from approximately RMB3.49 million to for the five months ended 31 August 2016 to approximately RMB6.08 million for the same period in 2017.

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Year ended 31 March 2017 compared with year ended 31 March 2016

Revenue

Our revenue increased from approximately RMB59.0 million for the year ended 31 March 2016 to approximately RMB87.3 million for the year ended 31 March 2017, with an increase of approximately 48.0%. The increase in revenue was mainly attributable to the increase in revenue derived from our sale of Software Systems and sale of hardware.

(i) Revenue derived from our sale of Software Systems

Our revenue derived from sale of Software Systems increased from approximately RMB21.1 million for the year ended 31 March 2016 to approximately RMB42.8 million for the year ended 31 March 2017, by approximately 102.8%, principally due to the increase in the contract sum per project on average and completion of ongoing projects having an aggregate contract sum of approximately RMB54.0 million (2016: approximately RMB29.6 million) for the year ended 31 March 2017 with IMPG Group, completion of a major project with Tianjin TEDA and the active expansion of our business in the Xinjiang Province. In addition, as we have been continuously emphasising and investing more in our research and development activities, and hence the development of our Software Systems during the Track Record Period, the competitiveness of our Software Systems was enhanced with the increase in the contract sum per project regarding our sale of Software Systems on average.

A large portion of our revenue derived from sale of Software Systems during the Track Record Period was derived from IMPG Group, electric power distribution companies at county level and electric power retailing company. According to 《配電網建設改造行動計劃(2015–2020)》(Construction and Optimisation Plan of Distribution System of Electric Power Grid) (the “**Plan**”) issued by the National Energy Administration, the total investment in China’s electric power transmission and distribution industry between 2016 and 2020 will be approximately 31.4% higher than those between 2011 and 2015. According to the CIC Report, the annual investment in China’s electric power transmission and distribution industry is expected to grow further at a CAGR of approximately 2.0% between 2017 and 2021, reaching approximately RMB608.1 billion by 2021. According to the CIC Report, in 2016, the market size of IMPG Group, other local electric power grid companies and electric power retailing companies accounted for approximately 2.1%, 1.5% and 2.1% to the overall market size, respectively. With the expected increase in the number of electric power retailing companies as a result of the New Reform, it is expected that market size of IMPG Group, other local electric power grid companies and electric power retailing companies would account for approximately 1.8%, 1.3% and 33.9% to the overall market size, respectively, in 2021.

Regarding IMPG Group, according to the CIC Report, the large scale adoption of the use of software systems commenced in or around 2011 and the relevant investment increased continuously during the period of 2012 to 2016, resulting in an increase in the demand for electric power selling and management system which recorded an increase at a CAGR of approximately 13.2% in the same period of time. The demand for electric power selling and management system from IMPG Group is expected to grow continuously at a steady rate from 2017 to 2021. This would be driven by the introduction of a number of national and regional policies during the relevant time in addition to the Plan and the New Reform stated above. In particular, the Plan focuses on (i) Tibetan; (ii) South Xinjiang; and (iii) poverty alleviation and development of key counties/remote areas of poverty, which include many counties in the Inner Mongolia, where wind, solar and/or hydro power could be utilised, as one of the key regions for

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investment from 2015 to 2020. Furthermore, for the implementation of 《電力發展“十三五”規劃(2016-2020年)》(Electric power development “135” plan), which focused on the enhancement and modification on electric power selling and management system in order to improve the efficiency and performance thereof, IMPG Group intended to commence approximately 300 electric power related projects during the year, two major projects of which involved an investment amount of approximately RMB10.0 billion in aggregate at the beginning of 2016.

The increase in demand for enhancement and modification of electric power selling and management system in the western Inner Mongolia region from IMPG Group created an increase in the demand for our Software Systems during the year ended 31 March 2017, as compared to for the year ended 31 March 2016.

Despite being neither an exclusive nor sole service provider to IMPG Group, our Group has been the major provider for the Software Systems and Technical Services in relation to electric power selling and management for IMPG Group under the Single Source Procurement arrangement policy. The Single Source Procurement arrangement policy is a tendering process for each of its individual project through which IMPG Group selects one of the potential suppliers who can fulfill a number of specific criteria and/or qualifications, such as technical competency and track record experience in relation to the relevant software systems of IMPG Group, to make a bid. Such process is open for opposition by other parties on a public tendering online platform and subject to final acceptance by IMPG Group for its procurement of the relevant Software Systems and Technical Services. As stated above, the large scale adoption of the use of software systems by IMPG Group commenced in or around 2011 and the relevant investment and development increased continuously during the period of 2012 to 2016. Our Group has been the major provider of the relevant Software Systems and Technical Services to IMPG Group since 2011, the time when IMPG Group started to actively expand and develop its software systems in relation to electric power selling and management. After completion of the initial stage of the development ground work for the electric power selling and management systems of IMPG Group in or around 2011, the relevant software systems also require continuous upgrading with incorporation of new features and fine-tuning of their existing functions. With the understanding of and familiarity with the existing software systems and the specific requirements of IMPG Group as to their demand for our Software Systems derived from our long business relationship with IMPG Group, our tender success rate in relation to our sale of Software Systems and our provision of Technical Services to IMPG Group was 100% during the Track Record Period and our Group has been the major provider for its Software Systems and Technical Services in relation to electric power selling and management under its Single Source Procurement arrangement policy.

During the year ended 31 March 2017, our Company has entered into three new major Software Systems contracts in areas including Xilingol, Ordos and Alxa in Inner Mongolia, with contract sum of approximately RMB23.5 million, RMB8.2 million and RMB3.8 million, respectively and all of which had been substantially completed during the year ended 31 March 2017. As a result, revenue generated from IMPG Group for the provision of Software System service increased significantly from approximately RMB17.6 million for the year ended 31 March 2016 to approximately RMB34.8 million for the year ended 31 March 2017.

Apart from the aforementioned increase in our sale of Software Systems to IMPG Group and Tianjin TEDA (being a electric power distribution company and operating electric power grid at county level) between the year ended 31 March 2016 and the year ended 31 March 2017, there was also an increase in our sale of Software Systems to other customers from approximately RMB3.5 million for the year ended

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31 March 2016 to approximately RMB4.6 million for the year ended 31 March 2017 as a result of the increase in demand from local electric power grid companies and electric power retailing companies and our efforts to explore new market territory with sound growth potentiality in the Xinjiang province.

(ii) Revenue derived from our provision of Technical Services

Our revenue derived from provision of Technical Services decreased from approximately RMB32.4 million for the year ended 31 March 2016 to RMB25.6 million for the year ended 31 March 2017, by approximately 21.0%, principally due to the cessation of our provision of Technical Services to Chinasoft Beijing as, to the best knowledge and belief of our Directors, Chinasoft Beijing would no longer require our Technical Services in the future after the transition period in relation to our disposal of certain business to Chinasoft Beijing in 2012. Except the decrease in our revenue derived from our provision of Technical Services to Chinasoft Beijing as aforementioned for the year ended 31 March 2017, there was still an increase in revenue derived from our provision from Technical Services to SGCC Group, IMPG Group, Tianjin TEDA and other customers by approximately RMB2.3 million in aggregate as a result of the increase in contract sum per project on average for the year ended 31 March 2017.

(iii) Revenue derived from our sale of hardware

Our revenue derived from our sale of hardware increased from approximately RMB5.6 million for the year ended 31 March 2016 to RMB18.9 million for the year ended 31 March 2017, by approximately 237.5%, principally due to (i) the increase in our number of contracts with IMPG Group as a result of the increase in our sale of Software Systems to IMPG Group as mentioned above in order to complement the Software Systems that we provided for it; and (ii) the active expansion of our business in the Xinjiang Province. Apart from the decrease in the revenue derived from the sale of our hardware to SGCC Group during the year ended 31 March 2017 as we focused on the provision of Technical Services in relation to electric power exchange to SGCC Group instead, our revenue derived from our sale of hardware to other customers, including Tianjin TEDA, increased by approximately RMB8.5 million for the year ended 31 March 2017. Our Directors consider that strong research and development capability is important to ensure our success and strong research and development capability also enables us to continue to upgrade our existing Software Systems in response to changes in technological development. Our dedication to research and development also enhances our competitiveness in the hardware market and so increases our sale of hardware.

(iv) Comparison with other market players

According to the CIC Report, certain number of major electric power selling and management system providers in China recorded an increase in revenue between 2015 and 2016 (whole calendar year). For example, company A, company B and company C recorded an increase in revenue by approximately RMB50.0 million, RMB20.0 million and RMB10.0 million, respectively, between 2015 and 2016 (whole calendar year). However, some other major electric power selling and management system providers in China recorded a decrease in revenue between 2015 and 2016 (whole calendar year). For example, company D and company E recorded a decrease in revenue by approximately RMB10.0 million and RMB20.0 million between 2015 and 2016 (whole calendar year), respectively. As aforesaid, other major market players (“**Other Market Players**”) did not experience similar growth in revenue as we did. We believe that the difference in the financial performance between our Group and the Other Market Players could be attributed to a number of factors, such as the difference in products/services offering, size of operation as well as the demand from its major customers. On one hand, IMPG Group was the

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second-largest customer of our Group and the largest customer for the year ended 31 March 2015 and the two years ended 31 March 2017 respectively. On the other hand, the major customers of the Other Market Players were mainly SGCC Group and/or CSG. According to the CIC Report, (i) the major customer of company A and company D is SGCC Group; (ii) the major customers of company B and company C are SGCC Group and CSG; and (iii) the major customer of company E is CSG. As explained above, on one hand, the demand of IMPG Group for both Software Systems and Technical Services in relation to electric power selling and management increased substantially and continuously from 2012 to 2016. On the other hand, the development of SGCC Group and CSG of the software systems in relation to electric power selling and management commenced much earlier than that of IMPG Group and the relevant development reached its peak during the period of 2008 to 2012. As the major projects of SGCC Group and CSG such as SG186 project were completed in or around 2009, the relevant demand of SGCC Group and CSG for Software Systems and Technical Services in relation to electric power selling and management decreased continuously at a CAGR of approximately 11.0% and 0.6%, respectively from 2012 to 2016 (whole calendar year), which also affects the financial performance of the Other Market Players to a certain extent.

The following table sets out the underlying reasons for the fluctuation of the revenue of each of the Other Market Players:

Company	Reasons for its revenue fluctuation between 2015 and 2016
Company A	The revenue from electric power selling and management systems of company A increased between 2015 and 2016 as it had been reinforcing the company's sales and actively expanding their business partnership with CSG.
Company B	The revenue from electric power selling and management systems of company B increased between 2015 and 2016 as, despite there being no significant change for SGCC-led investment from SGCC Group in 2016, some regional electric power grid companies increased their investments in electric power selling and management systems and it had reinforced the technical support to business development activities, which improved the company's performance.
Company C	The revenue from electric power selling and management systems of company C increased between 2015 and 2016. SGCC Group has invested in programs constructing the smart grid. Company C participated in the electric power grids' development programs with focus on smart functions and big data applications that enhance the efficiency and reduce the cost of electric power selling and management activities by enabling functions such as automatic metering and intelligent electric power consumption monitoring.

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Company D	The revenue from electric power selling and management systems of company D decreased between 2015 and 2016. Being a subsidiary of SGCC Group, its electric power selling and management systems business relies heavily on SGCC Group. Therefore, the slowdown of the SGCC Group's relevant investment as explained above adversely affected the relevant business of company D.
Company E	The revenue from electric power selling and management systems of company E decreased between 2015 and 2016. Being a company that mainly served Yunnan Electric Power Grid (under CSG), its electric power selling and management systems business relied heavily on Yunnan Electric Power Grid. After completion of the majority of the software development of electric power selling and management systems of Yunnan Electric Power Grid in 2016, the relevant products or services provided by company E to Yunnan Electric Power Grid were mainly for the relevant system maintenance which involved less investment by Yunnan Electric Power Grid, which in turn adversely affect the relevant business of company E.

Cost of sales

Our cost of sales increased by approximately 67.5%, from approximately RMB28.6 million for the year ended 31 March 2016 to approximately RMB47.9 million for the year ended 31 March 2017. The increase in cost of sales was principally due to increase in cost of sales incurred in the sale of Software Systems and sale of hardware.

Gross profit and gross profit margin

Our gross profit increased by approximately 29.5%, from approximately RMB30.5 million for the year ended 31 March 2016 to approximately RMB39.5 million for the year ended 31 March 2017. The increase in gross profit was mainly attributable to the increase in our revenue from derived from our sale of Software Systems, primarily resulted from the increase in the number of projects and the completion of a number of projects with IMPG Group. We completed one of our major projects with IMPG Group for the year ended 31 March 2017, namely 鄂爾多斯電業局農電接入營銷系統軟件開發項目 (Rural access selling and management software development project in Ordos*), being a pilot run of the “Software development for rural access to selling and management system project” in the entire geographical area under the electric power distribution grid operated by IMPG Group. Subsequent to completion of the aforementioned pilot run in Ordos and as of the Latest Practicable Date, our Group has entered into six other major contracts with the respective operating subsidiaries of IMPG Group with a total contract sum of approximately RMB70.59 million (“**Roll-out Projects**”). As at 31 March 2017, two of the Roll-out Projects in Xilingol and Alxa of Inner Mongolia, have been substantially completed and this, together with our familiarity with the requirements of IMPG Group from our longer business relationship with them, enabled us to achieve a better cost control and higher profitability on our sale of Software Systems relating to the aforesaid project in Ordos and two of the Roll-out Projects to IMPG Group during the year ended 31 March 2017.

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Our gross profit margin decreased from approximately 51.6% for the year ended 31 March 2016 to approximately 45.2% for the year ended 31 March 2017 principally due to the increase in the proportion of our revenue derived from the sale of hardware, which generally have lower gross profit margin.

Other income

Our other income increased by approximately 50.0%, from approximately RMB3.2 million for the year ended 31 March 2016 to approximately RMB4.8 million for the year ended 31 March 2017. Such increase was mainly due to the increase in refunds of VAT resulted from the increase in our revenue derived from the sale of Software Systems.

Selling expenses

Our selling expenses increased by approximately 60.7%, from approximately RMB2.8 million for the year ended 31 March 2016 to approximately RMB4.5 million for the year ended 31 March 2017. The increase was primarily attributable to the increase in labour costs, tender service fees, office and related expenses, entertainment and related expenses resulted from the continuous development of our Group's business.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately 277.1%, from approximately RMB4.8 million for the year ended 31 March 2016 to approximately RMB18.1 million for the year ended 31 March 2017. The increase was primarily attributable to the increase in (i) the labour costs due to our business expansion; and (ii) the expenses paid to various professional parties in relation to the preparation of Listing.

Finance costs

Our finance costs decreased by approximately 100.0%, from approximately RMB0.5 million for the year ended 31 March 2016 to nil for the year ended 31 March 2017. Such decrease was mainly due to the fact that our Group had fully repaid our borrowings in November 2015.

Income tax

Our income tax increased by approximately 5.7% from approximately RMB3.5 million for the year ended 31 March 2016 to approximately RMB3.7 million for the year ended 31 March 2017, despite the decrease in profit before taxation from approximately RMB25.6 million in 2016 to RMB21.7 million in 2017, which was attributable to the increase in administration and other operating expenses which were non-deductible for income tax purpose resulted from our business expansion and in preparation for Listing and the increase of the preferential income tax rate from 12.5% to 15% for the calendar year in 2016.

Profit attributable to equity shareholders of the Company

As a result of the foregoing, our profit for the year ended 31 March 2017 decreased by approximately 18.9%, from approximately RMB22.2 million for the year ended 31 March 2016 to approximately RMB18.0 million for the year ended 31 March 2017.

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Year ended 31 March 2016 compared with the year ended 31 March 2015

Revenue

Our revenue increased from approximately RMB47.9 million in 2015 to approximately RMB59.0 million in 2016, with an increase of approximately 23.2%. The increase in revenue was mainly attributable to increase in revenue derived from our sale of Software Systems.

Our revenue derived from sale of Software Systems increased from approximately RMB7.7 million in 2015 to approximately RMB21.1 million in 2016, by approximately 174.0%, principally due to rebound of our business with IMPG Group subsequent to certain of its internal reorganisation and adjustments of corporate strategies in 2015, which significantly decreased our business with IMPG Group in 2015. The number of projects with members of IMPG Group increased significantly in 2016.

Our revenue derived from provision of Technical Services decreased slightly from approximately RMB33.2 million in 2015 to RMB32.4 million in 2016, by approximately 2.4%, principally due to that several projects which contributed a significant portion of our revenue in 2015 completed or were approaching to completion stage during 2016.

Our revenue derived from our sale of hardware decreased from approximately RMB7.0 million in 2015 to RMB5.6 million in 2016, by approximately 20.0%, principally due to the decrease in average contract sum of our agreements with customers, even though the number of contracts increased in 2016.

Cost of sales

Our cost of sales increased by approximately 15.3%, from approximately RMB24.8 million in 2015 to approximately RMB28.6 million in 2016. The increase in cost of sales was primarily due to the increase in cost of sales incurred in the sale of Software Systems.

Gross profit and gross profit margin

Our gross profit increased by approximately 32.0%, from approximately RMB23.1 million in 2015 to approximately RMB30.5 million in 2016. The increase in gross profit was mainly attributable to the increase in revenue derived from sale of Software Systems.

Our gross profit margin in 2016 was approximately 51.6%, as compared with approximately 48.2% in 2015. The increase in our gross margin profit was mainly attributable to the rebound of our business with IMPG Group in 2016 subsequent to certain of its internal reorganisations and adjustments of corporate strategies in 2015, while certain components of our cost of sales such as labour costs in that year did not increase proportionally.

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Other income

Our other income increased by approximately 300.0%, from approximately RMB0.8 million in 2015 to approximately RMB3.2 million in 2016. Such increase was mainly due to increase in the refund of VAT and the income derived from an arbitration award received by our Group to compensate the related costs incurred by our Group in 2016 and the previous years.

Selling expenses

Our selling expenses increased by approximately 7.7%, from approximately RMB2.6 million in 2015 to approximately RMB2.8 million in 2016. The increase was primarily attributable to the increase in salary paid to our sales and marketing staff and tender service fees, which suffer a decline in 2015 due to the decrease in our business in Software Systems.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately 4.3%, from approximately RMB4.6 million in 2015 to approximately RMB4.8 million in 2016, which is mainly attributable to the increase in labour costs due to the increase in our business in respect of our sale of Software Systems in 2016.

Finance costs

Our finance costs decreased by approximately 58.3%, from approximately RMB1.2 million in 2015 to approximately RMB0.5 million in 2016. Such decrease was mainly due to higher level of borrowings in 2015, which were required for maintaining of our working capital requirement as our revenue declined in 2015. The borrowings were fully repaid in November 2015.

Income tax

Our income tax increased by approximately 66.7%, from approximately RMB2.1 million in 2015 to approximately RMB3.5 million in 2016, which is in line with the increase in our profit before tax of approximately RMB15.5 million in 2015 to approximately RMB25.6 million in 2016.

Profit attributable to equity shareholders of our Company

As a result of the foregoing, our profit in 2016 increased by approximately 65.7%, from approximately RMB13.4 million in 2015 to approximately RMB22.2 million in 2016.

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ANALYSIS OF VARIOUS ITEMS OF OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets out our Group's selected items of the consolidated statements of financial position as at the date indicated:

	As at 31 March			As at 31 August 2017
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	2,608	4,610	6,561	7,704
Current assets	122,619	106,426	122,350	122,601
Current liabilities	70,201	46,099	18,804	15,287
Total assets less current liabilities	55,026	64,937	110,107	115,018
Non-current liabilities	326	573	418	309
Net assets	54,700	64,364	109,689	114,709

Net current assets

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

	As at 31 March			As at 31 August 2017	As at 31 December 2017
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
Current assets					
– Inventories	1,851	3,442	6,577	5,561	5,549
– Trade and bill receivables	63,875	37,661	69,656	59,566	80,506
– Prepayment, deposits and other receivables	53,348	58,016	10,706	10,610	18,378
– Cash and cash equivalents	3,545	7,307	35,411	46,864	31,930
Total current assets	122,619	106,426	122,350	122,601	136,363
Current liabilities					
– Borrowings	15,000	—	—	—	—
– Trade payables	2,594	2,460	2,917	1,577	6,340
– Other payables and accruals	48,753	38,023	8,188	4,732	2,328
– Income tax payable	3,854	5,616	7,699	8,978	10,223
	70,201	46,099	18,804	15,287	18,891
Net current assets	52,418	60,327	103,546	107,314	117,472

As at 31 March 2015, 2016 and 2017, 31 August 2017 and 31 December 2017, we had net current assets of approximately RMB52.4 million, RMB60.3 million, RMB103.5 million, RMB107.3 million and RMB117.5 million, respectively.

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Our net current assets increased from approximately RMB52.4 million as at 31 March 2015 to approximately RMB60.3 million as at 31 March 2016 primarily due to our repayments of borrowings of approximately RMB15.0 million.

Our net current assets increased from approximately RMB60.3 million as at 31 March 2016 to approximately RMB103.5 million as at 31 March 2017 primarily due to an increase in (i) trade and bill receivables of approximately RMB32.0 million; and (ii) cash and cash equivalents of approximately RMB28.1 million as a result of our business expansion and the proceeds from the pre-IPO investment.

Our net current assets slightly increased from approximately RMB103.5 million as at 31 March 2017 to approximately RMB107.3 million as at 31 August 2017 primarily due to the combining effects from more cash receipts collected from customers and the settlements of balances due to our creditors in the current period.

We carefully consider our cash position and ability to obtain further financing when making significant capital commitment and arranging payments for expanding our operations.

DISCUSSION OF CERTAIN KEY ITEMS ON THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Non-current assets

Intangible assets

Our intangible assets mainly consist of software copyrights which are internally developed by us. As at 31 March 2015, 2016 and 2017 and 31 August 2017, the carrying value of our intangible assets amounted to approximately RMB2.2 million, RMB3.8 million, RMB6.0 million and RMB6.8 million, respectively. Our intangible assets decreased from approximately RMB47.2 million as at 31 March 2014 to approximately RMB2.2 million as at 31 March 2015 as a result of the decrease of approximately RMB46.8 million of software and patent rights development. These software and patent rights development (“**Lampposts Intangible Assets**”) refer to certain smart city technologies in relation to lampposts and are not related to our existing businesses. By entering into relevant agreements with Aipu Zhicheng on 18 March 2015, such software and patent rights were disposed of at their book value. Our Directors noted that, on 7 June 2015, a wholly-owned subsidiary of Aurum Pacific (China) Group Limited (stock code: 8148) proposed to acquire Aipu Zhicheng at approximately RMB7.2 million (“**Acquisition Value**”). The Acquisition Value was determined taking into consideration, among others, the unaudited net asset value of Aipu Zhicheng as at 30 April 2015 and the patents owned by Aipu Zhicheng in relation to iPole (“**iPole Patents**”). Such acquisition was terminated in October 2015.

The following sets out the reasons for the difference between the book value of Lampposts Intangible Assets and the Acquisition Value of iPole Patents. iPole Patents included the Lamppost Intangible Assets and certain smart city technologies in relation to lampposts originally owned by Aipu Zhicheng before the transfer of the Lampposts Intangible Assets (“**Original Aipu Patents**”). The fair value of the Original Aipu Patents and Lamppost Intangible Assets was approximately RMB2.08 million and RMB46.8 million as at April 2015, respectively. According to the management accounts of Aipu Zhicheng as at April 2015, as a result of the transfer of the Lamppost Intangible Assets, the value of the total assets of Aipu Zhicheng increased by approximately RMB46.8 million while the value of the total liabilities of Aipu Zhicheng also increased by approximately the same amount, representing the liabilities

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incurred by Aipu Zhicheng. The amount of liabilities incurred by Aipu Zhicheng was the same as the amount of consideration payable for the transfer of the Lamppost Intangible Assets owed to Along Grid as a result of the transfer of the Lamppost Intangible Assets. The transfer of the Lamppost Intangible Assets did not materially impact the valuation of Aipu Zhicheng in terms of its net asset value and thus the Acquisition Value. Please refer to the sub-paragraph headed “Aipu Zhicheng” under the paragraph headed “Relationship with Founding Shareholders” under the section headed “Relationship with Founding Shareholders” in this prospectus for further information of iPole.

Original Aipu Patents include a number of software copyrights in relation to smart city infrastructure technologies which are based on lampposts network infrastructure, with potential applications such as street light centralised control and street light anti-theft monitoring, while Lamppost Intangible Assets include a number of software copyrights and patents in relation to the certain communication technologies which serve to connect various electronic devices and enables data transmission between electronic devices via existing power cables, which can be applied to, including but not limited to, the electric power industry as well as other industries such as telecommunications industry, and certain smart city infrastructure technologies which are based on lampposts network infrastructure, which could be applied to improve the data transfer through electricity wire or to enable a broader range of functionalities of the technologies based on lamppost network, such as remote configurations of the settings and a control of the street light.

The increase in intangible assets from approximately RMB2.2 million as at 31 March 2015 to approximately RMB3.8 million as at 31 March 2016 and to approximately RMB6.0 million as at 31 March 2017 and to approximately RMB6.8 million as at 31 August 2017 was mainly due to the accumulation of technical know-how, which are the software copyrights internally developed by our Group.

As we focus on software development, we have relatively higher percentage of intangible assets as compared to our total non-current assets. Our intangible assets accounted for approximately 85.9%, 82.9%, 90.9% and 88.7% out of our total non-current assets as at 31 March 2015, 2016 and 2017 and 31 August 2017, respectively.

When determining whether an intangible asset arising from the development project should be recognised, our Directors would consider (i) the technical and commercial feasibility of the product or process; (ii) whether we have sufficient resources; and (iii) the intention to complete the project.

Expenditure on internal research and development projects is distinguished between the expenditures during the research phase and expenditures during the development phase. Research activities involve original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development activities involve a plan or design for the production of new or substantially improved materials, devices, products or processes before the commencement of commercial production or use.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and our Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses. Other development expenditure is recognised as an expense in the period in which it is incurred.

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Property, plant and equipment

We did not own any significant property, plant and equipment except for motor vehicles and equipment of which the carrying value was approximately RMB0.4 million, RMB0.8 million, RMB0.6 million and RMB0.9 million as at 31 March 2015, 2016 and 2017 and 31 August 2017, respectively.

Inventories

Our inventories mainly represented Software Systems under development including technical know-how and research and development, software, equipment, components and spare parts for our Software Systems. The following table sets out our inventories as of the dates indicated and turnover days for the periods presented.

	31 March			31 August
	2015	2016	2017	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Software Systems under development	1,851	3,442	6,577	5,561
	Year ended 31 March			Five months ended
	2015	2016	2017	31 August 2017
Inventories turnover days	19.0	33.8	38.2	63.8

Note: Inventory turnover days are calculated based on the average balance of inventories divided by the cost of sales per year/period multiplied 365/152 days. Average balance of inventories is calculated as the sum of the beginning balance and ending balance for the relevant year/period, divided by two.

Our inventories balance increased from approximately RMB1.9 million as at 31 March 2015 to approximately RMB3.4 million as at 31 March 2016 and to approximately RMB6.6 million as at 31 March 2017, which was mainly attributable to the accumulation of our software development products resulted from the continuous expansion of our Software Systems business. Our inventories balance slightly decreased from approximately RMB6.6 million as at 31 March 2017 to approximately RMB5.6 million as at 31 August 2017, which was mainly attributable to the implementation of the two rural access selling and management software systems projects for IMPG Group and the recognition of inventory cost during the five months ended 31 August 2017.

As at the Latest Practicable Date, approximately RMB3.26 million, or 58.6%, of our inventories balance as at 31 August 2017 had been subsequently utilised.

As our contracts with our customers are generally on project basis, we generally procure components and equipment required for our customers on a project-by-project basis. We minimise our inventories by arranging delivery of components and equipment to our customers directly when installation of our software therein is not required. Hence, the nature of our business does not require us to keep a large hardware products inventories.

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Our inventory turnover days increased from approximately 19.0 days for the year ended 31 March 2015 to approximately 33.8 days for the year ended 31 March 2016, and further to approximately 38.2 days for the year ended 31 March 2017 and to approximately 63.8 days for the five months ended 31 August 2017 as a result of the continuous expansion of our Software Systems business and the resulting increase in software under development for new projects and new customers.

We had an inventory assessment and write-down policy during the Track Record Period. Inventories are carried at the lower of cost and net realisable value. 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. When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Trade and bill receivables

The following table sets out a breakdown of our trade and bill receivables as at the dates presented:

	31 March			31 August
	2015	2016	2017	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	45,070	23,614	35,484	33,406
Bill receivables	462	—	900	1,000
	45,532	23,614	36,384	34,406
Gross amount due from customers for contract work	18,343	14,047	33,272	25,160
	63,875	37,661	69,656	59,566

The following table sets out our trade and bill receivables turnover days for the period presented:

	Year ended 31 March			Five months ended
	2015	2016	2017	31 August
				2017
Trade and bill receivables turnover days (<i>Note</i>)	421.9	313.8	224.2	362.0

Note: Trade and bill receivables turnover days are calculated based on average trade receivables divided by the revenue for the relevant year/period multiplied by 365/152 days. Average trade receivables is calculated as the sum of the beginning balance and ending balance for the relevant year/period, divided by two.

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Our trade and bill receivables primarily consist of outstanding amounts receivables by us from our customers during the Track Record Period. Our receivables also include gross amount due from customers for contract work which represents the amount of cost incurred to date plus an applicable profit margin on a contract but yet to be billed to the customer.

We generally required our customers to make 90% payment upon provision of our Software Systems and 100% payment upon completion of rendering the provision of Technical Services. In addition, we generally provide credit period of 10 to 80 days to those long standing customers.

Our trade receivables turnover days for the three years ended 31 March 2017 and the five months ended 31 August 2017 were approximately 421.9, 313.8, 224.2 and 362.0 days, respectively. Our trade receivables turnover days were longer than the credit periods normally granted to our customers, which were primarily due to the delay of acceptance by our customers which are state-owned enterprises, e.g. SGCC Group and IMPG Group, upon our completion of each stage of the projects. The delay in acceptance by our customers was resulted from a number of factors, including but not limited to their lengthy internal procedures which typically involved approvals from different level of management within the organisation or review mechanisms which involve gathering feedbacks from the parties who were the users of our Software Systems. The delay in acceptance by our customers was also common in the cases where the provision of our Software Systems only forms part of the project of our customers. In such case, our customers may only issue acceptance upon completion of all or certain other parts of the projects, which were not within the control of our Group. The long trade receivables turnover days were also attributable to the long time required for our customers for arranging payment upon receiving our invoice as the similar internal procedures which required the approvals from different level of management within the organisation are usually involved.

Our trade receivables turnover days had been on a decreasing trend since the year ended 31 March 2015. Our trade receivables turnover days decreased from approximately 421.9 days for the year ended 31 March 2015 to approximately 313.8 days for the year ended 31 March 2016 due to the fact that (i) approximately RMB26.46 million of trade receivables due from Chinasoft Beijing had been collected in August 2015; and (ii) the receivable derived from our Software Systems contracts with a subsidiary of SGCC Group was settled on a monthly basis, thereby decreasing the overall trade receivable turnover days.

Our trade receivables turnover days further decreased from approximately 313.8 days for the year ended 31 March 2016 to approximately 224.2 days for the year ended 31 March 2017 due to (i) the increase in revenue for the year ended 31 March 2017 as compared to the corresponding period in 2016; and (ii) our improved effort for the following up of the trade receivables with our customers.

Our trade receivable turnover days increased to approximately 362.0 days for the five months ended 31 August 2017, primarily due to the effect of our revenue figures for the five months ended 31 August 2017 as compared with that for a full financial year. According to the CIC Report, it is an industry norm that electric power grid companies executed its procurement in the third and fourth quarters. Therefore, our Group typically recorded less revenue in the first half of its financial year as compared with in the second half of its financial year.

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The following table sets out a breakdown of the amount of revenue recognised (with value-added tax inclusive) prior to the issuance of invoice by customer as at the dates presented:

	31 March			31 August
	2015	2016	2017	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
– IMPG Group	8,171	5,411	15,582	4,890
– SGCC Group	7,659	3,225	12,583	15,873
– Tianjin TEDA	2,513	1,339	5,107	4,072
– Others	—	4,072	—	325
Total:	18,343	14,047	33,272	25,160

The following table sets out a breakdown of the (i) trade and bill receivables billed as at 31 March 2017; and (ii) relevant amount subsequently settled by the relevant customer as at the Latest Practicable Date:

	As at	As at the		%
	31 March	Latest Practicable Date		
	2017	<i>RMB'000</i>	<i>RMB'000</i>	
<i>Trade and bill receivables</i>	Billed	Settled		
– IMPG Group	26,712	13,438		50.3
– SGCC Group	5,482	2,477		45.2
– Tianjin TEDA	—	—		N/A
– Others	4,190	2,480		59.2
Total:	36,384	18,395		50.6

The following table sets out a breakdown of the (i) gross amount due from customers for contract work not yet billed as at 31 March 2017; and (ii) amount subsequently billed and settled by the relevant customer as at the Latest Practicable Date:

	As at	As at the Latest Practicable Date			
	31 March	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	2017	<i>RMB'000</i>		<i>RMB'000</i>	
<i>Gross amount due from customers for contract work</i>	Outstanding (not yet billed)	Billed		Settled	
– IMPG Group	15,582	15,314	98.3	9,744	62.5
– SGCC Group	12,583	11,779	93.6	11,633	92.4
– Tianjin TEDA	5,107	1,363	26.7	1,363	26.7
– Others	—	—	N/A	—	N/A
Total:	33,272	28,456	85.5	22,740	68.3

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Liquidity management and impairment policies

We monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. Our management monitors the utilisation of bank borrowings and ensures compliance with the relevant loan covenants. In addition, our liquidity management policy requires management to regularly monitor both current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in both short and long term.

Our credit risk is primarily attributable to trade and bill receivables. During the Track Record Period, our trade receivables turnover days ranged from approximately 224.2 to approximately 421.9 days, whilst the trade payable turnover days ranged from approximately 20.5 to approximately 39.9 days, which exposed us to liquidity risk. As a result, the time taken to receive payments from our customers is significantly longer than the time required to pay our suppliers. Therefore, our Group may suffer from a cash flow mismatch in our operation. In order to mitigate such risk, we have a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Credit terms of 30 to 120 days may be granted to certain customers for progress billings. Credit terms of one to three years may be granted to customers for retention receivables. Normally, we do not obtain collateral from customers. Individual credit evaluations are performed on all customers requiring credit over a certain amount. We normally perform individual evaluation by keeping a record of the amount receivables to be settled by the end of each credit period granted to each of our customers. These evaluations focus on the past history of making payments when due and their current ability to pay of different customers, taking into account the information specific to the customer and the economic environment in which the customer operates. According to our credit policy, we will remind our customers to make relevant payment prior to the relevant due date in order to prevent overdue payment from our customers. Should there be any substantial amount of overdue receivables from a customer or such overdue period of time be a prolonged one, we may remove such customer from our credit list, negotiate with such customer to collect overdue receivables, or commence legal action against such customer, if necessary.

We assess the recoverability of trade and bill receivables from time to time.

Receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If there is any event or change in circumstances that renders the recoverability of the trade and bill receivables is remote, we would consider making an impairment loss, the amount of which would be measured as the difference between the carrying amount of the balance of trade and bill receivables as stated in the accounting records and the present value of the estimated collectable amount. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group. During the Track Record Period, we have not recognised any impairment as all trade and bill receivables are considered to be collectable taking into consideration that, as illustrated in the paragraph above, the trade receivables turnover days were longer than the credit periods normally granted to our customers. This was primarily due to the delay of acceptance by our customers which are state-owned enterprises upon our completion of each stage of the projects due to their lengthy internal procedures and, from our past experience during the Track Record Period, a significant portion, if not all, of such receivables from the state-owned enterprises would eventually be recovered by our Group.

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Aging analysis

The following table sets out an aging analysis of our trade and bill receivables (excluding the gross amount due from customers for contract work) based on the invoice and net of allowance for doubtful debts as at the dates presented:

	31 March			31 August
	2015	2016	2017	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 120 days	10,516	15,662	19,830	11,789
More than 120 days but less than				
1 year	10,601	2,582	8,433	10,621
1 to 2 years	7,801	1,417	6,955	10,001
2 to 3 years	16,297	3,953	230	1,059
Over 3 years	317	—	936	936
Total	45,532	23,614	36,384	34,406

The following table sets out the aging analysis of trade and bill receivables that are neither individually nor collectively considered to be impaired as at the dates presented:

	31 March			31 August
	2015	2016	2017	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	35,158	23,397	47,143	40,312
Less than 1 year past due	4,660	9,332	17,626	10,527
1 to 2 years past due	7,512	1,347	3,831	7,530
2 to 3 years past due	16,376	3,585	908	261
Over 3 years past due	169	—	148	936
	63,875	37,661	69,656	59,566

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with us. Based on past experience, the management of our Group believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and balances are still considered to be fully recoverable.

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The following table sets out the aging analysis of our retention receivables as at the dates presented based on the invoice date and net of allowance for doubtful debts (if any):

	31 March			31 August
	2015	2016	2017	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	820	5,632	4,101	8,482
1 to 2 years	1,788	464	3,571	838
2 to 3 years	217	1,186	278	723
Over 3 years	—	—	788	50
	2,825	7,282	8,738	10,093

The following table sets out the aging analysis of our retention receivables that are neither individually nor collectively considered to be impaired as at the dates presented:

	31 March			31 August
	2015	2016	2017	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	820	5,632	4,101	8,482
Less than 1 year past due	1,788	464	3,571	838
1 to 2 years past due	217	1,186	278	723
2 to 3 years past due	—	—	788	50
Over 3 years past due	—	—	—	—
	2,825	7,282	8,738	10,093

As at the Latest Practicable Date, approximately RMB14.9 million, or 43.4%, of our trade and bill receivables (excluding gross amount due from customers for contract work) outstanding as at 31 August 2017 had been subsequently settled.

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The following table sets out the aging analysis of our trade and bill receivables without taking into account the retention receivables as at the date presented:

	31 March			31 August
	2015	2016	2017	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	34,338	17,765	43,042	31,830
Less than 1 year past due	2,872	8,868	14,055	9,689
1 to 2 years past due	7,295	161	3,553	6,807
2 to 3 years past due	16,376	3,585	120	211
Over 3 years past due	169	—	148	936
	<u>26,712</u>	<u>12,614</u>	<u>17,876</u>	<u>17,643</u>
Trade and bill receivables without taking into account the retention receivables	<u>61,050</u>	<u>30,379</u>	<u>60,918</u>	<u>49,473</u>

Our trade and bill receivables turnover days without taking in account the retention receivables for the three years ended 31 March 2017 and the five months ended 31 August 2017 were approximately 392.6, 307.7, 190.8 and 309.2 days, respectively.

The following table sets out the gross amount due from customers for contract work subsequently billed as at the dates presented:

	31 March			31 August
	2015	2016	2017	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gross amount due from customers for contract work	<u>18,343</u>	<u>14,047</u>	<u>33,272</u>	<u>25,160</u>
Subsequently billed for the gross amount due from customers for contract work				
For the year ended 31 March 2015	—	—	—	—
For the year ended 31 March 2016	16,957	—	—	—
For the year ended 31 March 2017	34	12,695	—	—
For the five months ended 31 August 2017	<u>1,291</u>	<u>1,291</u>	<u>15,082</u>	<u>—</u>
	<u>18,282</u>	<u>13,986</u>	<u>15,082</u>	<u>25,160</u>
Unbilled gross amount due from customers for contract work as at 31 August 2017	<u>61</u>	<u>61</u>	<u>18,190</u>	<u>25,160</u>

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Revenue from the sale of Software Systems and the provision of Technical Services is recognised using the percentage of completion method, and revenue from a fixed price contract is measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract. Revenue is recognised prior to issuance of invoice to customers, and there is usually a delay of acceptance by our customers which are state-owned enterprises upon our completion of each stage of the projects. Such delay was resulted from a number of factors, including but not limited to their lengthy internal procedures which typically involved approvals from different level of management within the organisation or review mechanisms which involve gathering feedbacks from the parties who were the users of our Software Systems. As such, the time difference between the performance of the contract works (i.e. recognition of revenue) and the issuance of invoices resulted in the unbilled gross amount due from customers for contract work as stated in the table above.

The following table sets out our trade and bill receivables by customers as at the dates presented:

	31 March			31 August
	2015	2016	2017	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
IMPG Group	17,808	15,988	42,294	29,760
SGCC Group	11,222	13,068	18,065	22,265
Chinasoft Beijing	28,731	—	—	—
Tianjin TEDA	2,591	1,338	5,107	4,372
Others	3,523	7,267	4,190	3,169
	63,875	37,661	69,656	59,566

The breakdown of the trade and bill receivables by business segment is not meaningful as our Directors are of the view that it is common in the PRC for a stated-owned customer who has more than one contract with its counterparty to settle its payment in a lump sum without specifying which particular contract it proposes to settle. In the case of our Group, a substantial portion of our customers, namely SGCC Group and IMPG Group, typically settle their payment with our Group in a lump sum without specifying which contracts they propose to settle. For example, where IMPG Group had both Software Systems contract and Technical Services contract with our Group, it might not specify whether it intends to settle its Software Systems contract or the Technical Services contract with our Group upon payment. According to our credit policy, we will cross-check the percentage of completion with our customers by way of sending progress confirmation in writing to customers and receiving the same confirmation from them to confirm billed and unbilled amount from time to time in order to monitor our billed and unbilled revenue are agreed by our customers.

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Prepayments, deposits and other receivables

The following table sets out the components of our prepayments, deposits and other receivables at the dates presented:

	31 March			31 August
	2015	2016	2017	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due from related parties	50,767	55,179	—	—
Prepayments for costs incurred in connection with the proposed initial listing of our Company's shares	—	—	4,964	5,331
Prepayments for miscellaneous expenses	606	887	1,269	1,214
Staff advances and other deposits	1,559	1,620	1,108	2,904
VAT refundable	137	—	2,861	558
Others	279	330	504	603
	53,348	58,016	10,706	10,610

Amounts due from related parties are non-trade in nature, unsecured, non-interest bearing and have no fixed terms of repayments and the amount has been settled as at the Latest Practicable Date. The amounts due to related parties that are non-trade in nature has also been settled as at the Latest Practicable Date. The amount due from related parties in relation to the transfer of the Lamppost Intangible Assets had been settled in January 2017.

The balance of prepayments for costs incurred in connection with Listing as at 31 August 2017 will either be recognised as expenses or transferred to our Company's share premium account within equity upon Listing.

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Trade and other payables

The following table sets out the components of our trade and other payables as at the dates presented:

	31 March			31 August
	2015	2016	2017	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	2,594	2,460	2,917	1,577
Other payables				
– Amounts due to related parties	—	6,800	947	947
– Payables for staff related costs	1,139	331	2,206	2,124
– Distributions payable of a subsidiary	45,055	27,559	—	—
– Other taxes payables	1,902	1,962	4,556	975
– Others	657	1,371	479	686
Sub-total	48,753	38,023	8,188	4,732
Total	51,347	40,483	11,105	6,309

The following table sets out the turnover days for our trade payables for the periods presented:

	Year ended 31 March			Five months ended
	2015	2016	2017	31 August 2017
Trade payables turnover days				
<i>(Note)</i>	39.9	32.3	20.5	23.6

Note: Trade payables turnover days is calculated based on the average of trade payables divided by cost of sales for the relevant year/period multiplied by 365/152 days. Average trade payables is calculated as the sum of the beginning balance and ending balance for the relevant year, divided by two.

Our trade payables were of approximately RMB2.6 million, RMB2.5 million, RMB2.9 million and RMB1.6 million as at 31 March 2015, 2016 and 2017 and 31 August 2017, respectively. During the Track Record Period, our trade payables mainly incurred for purchase of components and equipment for our sale of Software Systems and our provision of Technical Services. We generally received credit terms of 5 days to 45 days from our suppliers.

Our trade payables and trade payables turnover days remained stable during the Track Record Period as a result of long-established supplier relationship.

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During the Track Record Period, our other payables mainly consisted of amounts due to the related parties, distributions payable of a subsidiary of our Company. Our Directors confirmed that such amount has been settled as at the Latest Practicable Date.

The following table sets out the aging analysis of our trade payables based on the invoice date as at the dates presented:

	31 March			31 August
	2015	2016	2017	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	1,858	974	2,503	1,165
1 to 2 years	41	750	259	211
2 to 3 years	14	41	54	46
Over 3 years	681	695	101	155
Total	2,594	2,460	2,917	1,577

The trade payables that were due over 2 years or above remained consistent at approximately RMB0.7 million as at 31 March 2015 and 2016 and decreased to approximately RMB0.2 million and RMB0.2 million as at 31 March 2017 and 31 August 2017, respectively. Our trade payables that were due over 3 years were services fees paid in relation to certain services outsourcing arrangement with no fixed term of payment. As at the Latest Practicable Date, our Group is communicating with respective counterparties for settlement.

Income tax payable

Our income tax payable was approximately RMB3.8 million, RMB5.6 million, RMB7.7 million and RMB9.0 million as at 31 March 2015, 2016 and 2017 and 31 August 2017, respectively; while our income tax amounted to approximately RMB2.1 million, RMB3.5 million, RMB3.7 million and RMB1.3 million for the three years ended 31 March 2017 and the five months ended 31 August 2017.

Increasing income tax payable balances, which is in line with our increasing revenue, were recorded during the Track Record Period, while minimal income tax payment had been made by our Group in the respective year was primarily due to the difference in timing for our revenue recognition and issuance of invoice.

Revenue from the sale of Software Systems is recognised using the percentage of completion method, and revenue from a fixed price contract is measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract. Revenue is recognised prior to issuance of invoice to customers, as there is usually a delay of acceptance by our customers which are state-owned enterprises upon our completion of each stage of the projects. Such delay was resulted from a number of factors, including but not limited to their lengthy internal procedures which typically involved approvals from different level of management within the organisation or review mechanisms which involve gathering feedbacks from the parties who were the users of our Software Systems. Hence, our issuance of invoice (corresponding to our income tax) would be delayed and issued after our recognition of revenue (corresponding to our income tax payable).

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

During Track Record Period, our primary uses of cash are for the payment of purchases from suppliers, staff costs, various operating expenses, dividends and capital expenditure. During the Track Record Period, we have financed our liquidity requirements primarily through cash generated from our operations, short-term borrowings and shareholders' capital contributions. The following table sets out selected cash flow data from our consolidated cash flow statements for the periods indicated:

	Year ended 31 March			Five months ended 31 August 2017
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from/(used in) operating activities	2,947	49,809	(18,793)	13,925
Net cash used in investing activities	(2,127)	(2,932)	(3,568)	(2,043)
Net cash (used in)/generated from financing activities	<u>(5,577)</u>	<u>(43,115)</u>	<u>50,123</u>	<u>—</u>
Net (decrease)/increase in cash and cash equivalents	(4,757)	3,762	27,762	11,882
Cash and cash equivalents at the beginning of the year	8,302	3,545	7,307	35,411
Effect on foreign exchange rates changes	—	—	342	(429)
Cash and cash equivalents at the end of the year	<u>3,545</u>	<u>7,307</u>	<u>35,411</u>	<u>46,864</u>

Net cash generated from/(used in) operating activities

Our cash flow from operating activities consists of our profit before taxation adjusted for (i) depreciation and amortisation, finance costs; and (ii) changes in inventories, trade and bill receivables, prepayments, deposits and other receivables, as well as trade and other payables.

Net cash generated from operating activities for the year ended 31 March 2015 was approximately RMB2.9 million, which was primarily resulted from the profit before taxation of approximately RMB15.5 million, adjusted primarily by (i) depreciation and amortisation of approximately RMB0.5 million; (ii) finance costs of approximately RMB1.2 million; and (iii) an increase in other payables and accruals of approximately RMB3.0 million, partially offset by (i) an increase in inventories of approximately RMB1.1 million; and (ii) an increase in trade and bill receivables of approximately RMB17.0 million.

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Net cash generated from operating activities for the year ended 31 March 2016 was approximately RMB49.8 million. The amount primarily reflected profit before taxation of approximately RMB25.6 million, adjusted primarily by (i) depreciation and amortisation of approximately RMB0.9 million; (ii) finance costs of approximately RMB0.5 million; and (iii) a decrease in trade and bill receivables of approximately RMB26.2 million, partially offset by an increase in inventories of approximately RMB1.6 million.

Net cash used in operating activities for the year ended 31 March 2017 was approximately RMB18.8 million, which was mainly due to an increase in trade and bill receivables of approximately RMB32.0 million, which was partially offset by the profit before taxation of approximately RMB21.7 million.

Net cash generated from operating activities for the five months ended 31 August 2017 was approximately RMB13.9 million, which was mainly due to (i) the net decrease in trade and bill receivables due from our customers of approximately RMB10.1 million; and (ii) receipt of VAT refunds of approximately RMB4.2 million.

Net cash generated from/(used in) investing activities

Our cash flow used in investing activities mainly consists of costs of payments for purchase of property, plant and equipment and intangible assets, and payments for self-developed intangible assets.

Net cash used in investing activities for the year ended 31 March 2015 was approximately RMB2.1 million, primarily included the payments for self-developed intangible assets of approximately RMB2.3 million.

Net cash used in investing activities for the year ended 31 March 2016 was approximately RMB2.9 million, primarily included the payments for self-developed intangible assets approximately RMB2.4 million.

Net cash used in investing activities for the year ended 31 March 2017 was approximately RMB3.6 million, primarily included the payments for self-developed intangible assets of approximately RMB3.6 million.

Net cash used in investing activities for the five months ended 31 August 2017 was approximately RMB2.0 million, primarily included (i) the payment for self-developed and external sourced intangible assets of approximately RMB1.6 million; and (ii) purchase of equipment of approximately RMB0.4 million for operation purposes.

Net cash generated from/(used in) financing activities

Our cash flow generated from/(used in) financing activities mainly consists of proceeds from borrowings, repayment of borrowings, net advance (to)/from related parties and distributions paid by a subsidiary.

Net cash used in financing activities for the year ended 31 March 2015 was approximately RMB5.6 million. The amount was primarily attributable to net increase in cash advances to related parties of approximately RMB4.4 million, repayment of borrowings of approximately RMB15.0 million and interest payment of approximately RMB1.2 million, partially offset by proceeds from net borrowings of approximately RMB15.0 million.

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Net cash used in financing activities for the year ended 31 March 2016 was approximately RMB43.1 million. The amount was primarily attributable to (i) repayment of borrowings of approximately RMB15.0 million; and (ii) distribution paid of approximately RMB30.0 million, partially offset by net decrease in cash advances from related parties.

Net cash used generated from financing activities for the year ended 31 March 2017 was approximately RMB50.1 million. The amount was primarily attributed to the (i) proceeds from the issuance of Shares of approximately RMB25.7 million, representing the proceeds from Chance Talent pursuant to the pre-IPO investment; and (ii) capital contribution from our Founding Shareholders of approximately RMB54.6 million for the purpose of our Reorganisation, partially offset by payment for the acquisition of Along Grid pursuant to our Reorganisation.

Net cash generated from/(used in) financing activities for the five months ended 31 August 2017 was nil.

INDEBTEDNESS

The following tables set forth a breakdown of our indebtedness as at the dates presented for the purpose for this indebtedness in this prospectus:

	As of 31 March			As of 31 August	As of 31 December
	2015	2016	2017	2017	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unsecured short-term bank loans	15,000	—	—	—	—
Effective interest rate	7.20%	N/A	N/A	N/A	N/A

The unutilised banking facilities as at 31 December 2017 was nil.

Contingent liabilities

As of 31 March 2015, 2016 and 2017 and 31 August 2017, there were no significant contingent liabilities.

Since the Latest Practicable Date, there has not been adverse change in our indebtedness. As of the Latest Practicable Date, except as otherwise disclosed in the indebtedness statement, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance, outstanding convertible debt securities or other similar indebtedness, any guarantees or other material contingent liabilities.

We do not plan to raise material external debt financing upon Listing.

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WORKING CAPITAL

Our Directors are of the opinion that after taking into account the existing financial resources available to us, the expected internally generated funds and the estimated net proceeds from the Global Offering, we have sufficient working capital for our business and operations, that are, for the next 12 months from the date of this prospectus.

OPERATING LEASE COMMITMENTS

As at 31 March 2015, 2016 and 2017 and 31 August 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	31 March			31 August
	2015	2016	2017	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	2,493	2,522	1,676	670
After 1 year but within 2 years	—	1,297	—	—
	<u>2,493</u>	<u>3,819</u>	<u>1,676</u>	<u>670</u>

Operating leasing commitments as at 31 August 2017 were primarily related to leased properties being used for office of our Group.

CAPITAL EXPENDITURES

Our capital expenditures primarily comprised expenditures for equipment. Our incurred capital expenditures for the three years ended 31 March 2017 and the five months ended 31 August 2017 amounted to approximately RMB397,000, RMB555,000, RMB40,000 and RMB374,000, respectively. Fluctuations in our capital expenditures during the Track Record Period primarily reflect our purchase of equipment to meet our various business needs.

As at the Latest Practicable Date, our anticipated capital expenditures for each of the two years ending 31 March 2018 and 2019 will be approximately RMB2.1 million and approximately RMB30.2 million, respectively. These anticipated capital expenditures will be mainly used to (i) purchase more equipment to conduct necessary research; (ii) set up new regional offices; and (iii) expand our research and development and customer service department. We plan to meet these commitments primarily through internally generated cash, proceeds from the Global Offering and external financing.

MATERIAL RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in Note 25 to the Accountants' Report in Appendix I to this prospectus, our Directors confirm that each transaction set forth therein was conducted on arm's length basis, on normal commercial terms and in the ordinary course of business.

OFF-BALANCE SHEET ARRANGEMENTS

As the Latest Practicable Date, we did not have any off-balance sheet arrangements.

FINANCIAL INFORMATION

KEY FINANCIAL RATIO

The following table sets out certain key financial ratios of our Group during the Track Record Period:

	As at or for the year ended			As at or
	31 March			for the five
	2015	2016	2017	months ended 31 August 2017
Profitability ratios				
Net profit margin ⁽¹⁾ (%)	28.0	37.5	20.6	22.2
Return on assets ^(2,3) (%)	10.7	20.0	14.0	11.2
Return on equity ^(2,4) (%)	24.5	34.4	16.4	12.7
Liquidity ratio				
Current ratio ⁽⁵⁾	1.7	2.3	6.5	8.0
Capital adequacy ratio				
Gearing ratio ⁽⁶⁾ (%)	56.3	42.0	14.9	12.0

Notes:

1. Net profit margin is calculated based on the net profit for the year divided by the total revenue for the year/period and multiplied by 100%.
2. Net profit is annualised for the five months ended 31 August 2017 for the purpose of financial metric calculation.
3. Return on assets is calculated based on the net profit for the year/period divided by the total assets at the end of the year/period and multiplied by 100%.
4. Return on equity is calculated based on the net profit for the year/period divided by issued share capital and reserves at the end of the year/period and multiplied by 100%.
5. Current ratio is calculated based on the total current assets at the end of the year/period divided by the total current liabilities at the end of the year/period.
6. Gearing ratio is calculated based on total debt at the end of the year/period divided by total assets at the end of the year/period and multiplied by 100%. Total debt is calculated as the sum of current liability and non-current liability.

ANALYSIS ON KEY FINANCIAL RATIOS

Net profit margin

The net profit margin of our Group increased from approximately 28.0% for the year ended 31 March 2015 to approximately 37.5% for the year ended 31 March 2016. The increase in the net profit margin was mainly the result from the increase in other revenue and the decrease in net finance costs during the year ended 31 March 2016.

The net profit margin of our Group decreased from approximately 37.5% for year ended 31 March 2016 to approximately 20.6% for the year ended 31 March 2017. The decrease in net profit margin was mainly the result from the increase in administrative and other operating expenses during the year ended 31 March 2017.

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The net profit margin of our Group increased from approximately 20.6% for the year ended 31 March 2017 to approximately 22.2% for the five months ended 31 August 2017. The increase was mainly attributable to higher gross profit and gross profit margin, as well as increase in other income during the five months ended 31 August 2017 as compared with the same period in 2016.

Return on assets

The return on assets of our Group increased from approximately 10.7% in 2015 to approximately 20.0% in 2016. The increase in the return on assets was mainly the result from the increase in net profit in 2016.

The return on assets of our Group decreased from approximately 20.0% for the year ended 31 March 2016 to approximately 14.0% for the year ended 31 March 2017. The decrease in return on assets was mainly the result from the increase in administrative and other operating expenses during the year ended 31 March 2017.

The return on assets of our Group decreased from approximately 14.0% for the year ended 31 March 2017 to approximately 11.2% for the five months ended 31 August 2017. The decrease was mainly due to the increase in administrative and other operating expenses during the five months ended 31 August 2017.

Return on equity

The return on equity of our Group increased from approximately 24.5% in 2015 to approximately 34.4% in 2016. The increase in the return on equity was mainly the result from the increase in net profit in 2016.

The return on assets of our Group decreased from approximately 34.4% for the year ended 31 March 2016 to approximately 16.4% for the year ended 31 March 2017. The decrease in return on equity was mainly the result from the increase in administrative and other operating expenses during the year ended 31 March 2017.

The return on equity of our Group decreased from approximately 16.4% for the year ended 31 March 2017 to approximately 12.7% for the five months ended 31 August 2017. The decrease was mainly due to the increase in administrative and other operating expenses during the five months ended 31 August 2017.

Current ratio

The current ratio of our Group increased from approximately 1.7 as at 31 March in 2015 to approximately 2.3 as at 31 March 2016. The increase in the current ratio was mainly attributable to the decrease in current liabilities caused by the decrease in borrowings in 2016.

The current ratio of our Group increase from approximately 2.3 as at 31 March 2016 to approximately 6.5 as at 31 March 2017. The increase in current ratio was mainly attributable to the increase in current asset as a result of our business expansion and proceeds from the pre-IPO Investment.

The current ratio of our Group increased from approximately 6.5 as at 31 March 2017 to approximately 8.0 as at 31 August 2017. The increase in current ratio was mainly attributable to the increase in current assets as a result of our continuing business expansion and income generated.

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Gearing ratio

The gearing ratio of our Group decreased from approximately 56.3% as at 31 March 2015 to approximately 42.0% as at 31 March 2016. The decrease in the gearing ratio was mainly the result from the decrease in current liabilities caused by the decrease in borrowings as at 31 March 2016.

The gearing ratio of our Group decreased from approximately 42.0% as at 31 March 2016 to approximately 14.9% as at 31 March 2017. The decrease in gearing ratio was mainly due to the increase in total asset as a result of our business expansion and proceeds from the pre-IPO Investment.

The gearing ratio of our Group decreased from approximately 14.9% as at 31 March 2017 to approximately 12.0% as at 31 August 2017. The decrease in gearing ratio was mainly attributable to the increase in current assets as a result of our continuing business expansion and income generated.

MARKET RISKS

We are exposed to the following financial and market risks: credit risk, liquidity risk and interest rate risk.

Credit risk

We are exposed to credit risk in relation to our trade and other receivables. In order to mitigate the credit risk regarding our trade and other receivables, we manage our credit risk by performing individual credit evaluations on all our customers requiring credit over a certain amount. These evaluations focus on our customer's past history of making payments when due and current ability to pay, and may take into account information specific to such customer as well as pertaining to the economic environment in which such customer operates.

As at 31 March 2015, 2016 and 2017 and 31 August 2017, we were exposed to significant concentration of credit risk in a few customers. In view of their credit standing, and long established relationships with our Group, management does not consider our Group's credit risk to be significant. As at 31 March 2015, 2016 and 2017 and 31 August 2017, approximately 45%, 42%, 61% and 52% of the trade receivables were due from the Group's largest debtor, and approximately 99%, 96%, 98% and 99% of the trade receivables were due from the Group's five largest debtors.

Liquidity risk

During the Track Record Period, in the management of the liquidity risk, we monitor our liquidity requirements and our compliance with lending covenants of each company, if any, regularly to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. Our Directors are of the view that we will be able to meet our financial obligations when they fall due.

Interest rate risk

Our interest rate primarily arises from borrowings. Borrowings at variable rates and at fixed rates exposed our Group to cash flow interest rate risk and fair value interest rate risk respectively.

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The table below sets out the interest rate profile of our total borrowings at the end of the dates indicated:

	31 March						31 August	
	2015		2016		2017		2017	
	Effective interest		Effective interest		Effective interest		Effective interest	
	rate	Amount	rate	Amount	rate	Amount	rate	Amount
	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000
Fixed rate	7.20	15,000	Nil	—	Nil	—	Nil	—

Our Directors have prepared sensitivity analysis for the variables for borrowings during the Track Record Period. For further details, please refer to Note 23(c) in Appendix I to this prospectus.

DISTRIBUTABLE RESERVE

As at 31 August 2017, we had distributable reserve representing share premium of approximately RMB25.7 million, which is available for distribution to our owners subject to the provision of Companies Law.

DIVIDEND

We do not have a fixed dividend policy and cannot guarantee dividends will be paid in the future subject to, among other things, applicable laws and regulations. Declaration of dividends after Listing will be the discretion of our Board and will depend on our results of operation, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividend by us, future prospects and other factors that our Directors may consider relevant. Our Shareholders will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that our Company will be able to distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

During the Track Record Period, our Group declared a dividend of approximately RM65.5 million, RMB12.5 million, nil and nil, respectively, of which approximately RMB30.0 million and RMB48.0 million had already been settled by paid in cash on 3 August 2015 and offsetting receivables from the then equity holders of Along Grid, namely Aige Reide, respectively before Listing.

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LISTING EXPENSES

The estimated listing expenses primarily consist of legal and professional fees in relation to Listing and underwriting commission. The estimated total listing expenses incurred or to be incurred are approximately RMB25.3 million, of which RMB16.7 million was or will be charged to expenses, and RMB8.6 million was or will be recognised as prepayments for costs incurred in connection with the proposed initial public offering of our Shares and expect to be deducted directly from equity upon the issue of new Shares. We incurred listing expenses of approximately RMB13.2 million during the Track Record Period, of which RMB9.7 million was recognised as expenses, and RMB3.5 million was recognised as prepayments as at 31 August 2017 and is expected to be deducted in equity directly upon the issue of new shares. We expect to incur listing expenses of approximately RMB12.1 million after 31 August 2017, of which RMB6.9 million is expected to be recognised as expenses, and RMB5.2 million is expected to be recognised as prepayments and deducted in equity directly upon the issue of new Shares.

Our financial results for the year ending 31 March 2018 will be affected by non-recurring expenses in relation to Listing. Whether or not Listing eventually occurs, a major portion of the listing expenses will be incurred and recognised as expenses, which will reduce our net profit and therefore negatively affect our financial performance for the year ending 31 March 2018. In addition, if Listing were to be postponed due to market conditions, we would need to incur additional listing expenses for our future listing plan, which would further negatively affect our future net profit. As a result, our business, financial performance, results of operation and prospect would be materially and adversely affected.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of our Company as of 31 August 2017 as if the Global Offering had taken place on 31 August 2017.

FINANCIAL INFORMATION

The unaudited pro forma statement of adjusted 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 financial position of our Group had the Global Offering been completed as at 31 August 2017 or at any future date.

	Consolidated net tangible assets attributable to the equity shareholders of our Company as of 31 August 2017⁽¹⁾ RMB'000	Estimated net proceeds from the Global Offering⁽²⁾ RMB'000	Unaudited pro forma adjusted net tangible assets RMB'000	Unaudited pro forma adjusted net tangible assets per Share⁽³⁾ RMB⁽⁴⁾ HK\$⁽⁴⁾	
Based on an Offer Price of HK\$0.72 per Share	107,872	43,143	151,015	0.40	0.47
Based on an Offer Price of HK\$0.96 per Share	107,872	61,753	169,625	0.45	0.53

Notes:

- (1) The consolidated net tangible assets attributable to equity shareholders of the Company as of 31 August 2017 is compiled based on the consolidated statements of financial position included in the Accountants' Report set out in Appendix I to this Prospectus, which is based on the consolidated total equity of the Company as of 31 August 2017 of RMB114,709,000 after deducting intangible assets of RMB6,837,000.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK\$0.72 and HK\$0.96 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. The estimated net proceeds of the Global Offering have been converted to RMB at the PBOC rate of HK\$1.0000 to RMB0.8436 prevailing on 31 August 2017.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by 381,072,000 Shares, being the number of Shares expected to be in issue immediately following the completion of the Global Offering.
- (4) The unaudited pro forma adjusted net tangible assets per Share amounts in RMB are converted to Hong Kong dollar at the PBOC rate of RMB0.8436 to HK\$1.0000 prevailing on 31 August 2017.
- (5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 August 2017.

DISCLOSURE UNDER THE LISTING RULES

Our Directors have confirmed that there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 of the Listing Rules, 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

Please see the paragraphs headed “Our strategies” and “Our expansion plans” under the section headed “Business” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$0.84 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$50.78 million, after deduction of underwriting fees and commissions and estimated expenses payable in connection with the Global Offering. We intend to use the net proceeds of the Global Offering for the following purposes:

- approximately 35%, or HK\$17.77 million, will be used to enhance our research and development capabilities; of which approximately (i) 8.6%, or HK\$1.53 million, will be used to purchase more equipment to conduct necessary research; (ii) 57.1%, or HK\$10.15 million, will be used to expand our research and development and customer service department by recruiting more technicians; (iii) 14.3%, or HK\$2.54 million, will be used to provide more trainings to our technical staff to improve their research, design and development capabilities; and (iv) 20%, or HK\$3.55 million, will be used to invest in our collaboration with third-party institutions for researching into and testing new and enhanced software. For further details, please refer to the paragraph headed “Our expansion plans” under the section headed “Business” in this prospectus;
- approximately 20%, or HK\$10.16 million, will be used to expand our customer base, of which approximately (i) 60%, or HK\$6.09 million, will be used to set up regional offices, recruiting more local staff and provide more trainings to such staff who will station in Southern China for China Southern Grid; and (ii) 40%, or HK\$4.06 million, will be used to set up more regional offices, recruiting more local staff and provide more training to such staff in different cities across China for power distribution companies. For further details, please refer to the paragraph headed “Our expansion plans” under the section headed “Business” in this prospectus;
- approximately 20%, or HK\$10.16 million, will be used to expand our product/service offerings by expanding our research and development and customer service department in developing electric cars charging management related software and services. For further details, please refer to the paragraph headed “Our expansion plans” under the section headed “Business” in this prospectus;
- approximately 15%, or HK\$7.61 million, will be used to acquire or invest in companies with proprietary know-how or inventions of software or products in relation to electric power selling and management. For further details, please refer to the paragraph headed “Our expansion plans” under the section headed “Business” in this prospectus; and
- approximately 10%, or HK\$5.08 million, will be used to replenish our working capital.

The above allocation of 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.

FUTURE PLANS AND USE OF PROCEEDS

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.96 per Share, the net proceeds we receive from the Global Offering will increase by approximately HK\$11.52 million. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$0.72 per Share, the net proceeds we receive from the Global Offering will decrease by approximately HK\$11.52 million.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong.

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HONG KONG UNDERWRITER

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

Founder Securities (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 9,600,000 Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and to certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Sole Global Coordinator (on behalf of the Underwriters and the Company agreeing on the Offer Price), the Hong Kong Underwriter has agreed to subscribe or procure subscriptions for their respective applicable proportions or amounts (set out in the Hong Kong Underwriting Agreement) of the Hong Kong Offer Shares now being offered but which are not taken up under the Hong Kong Public Offering, on and subject to the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed, becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter) shall have the absolute right by notice in writing to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if certain events, including any of the following events, should occur at any time before the Termination Time:

- (a) there has come to the notice of the Sole Global Coordinator at any time after the date of the Hong Kong Underwriting Agreement:
 - (i) that any statement contained in this prospectus, the Application Forms, the formal notice, and/or any notices, announcements, advertisements, communications or any other documents (including any supplement or amendment thereto) issued or used by or on behalf of the Company in connection with the Global Offering considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter) in its sole and absolute opinion to be material in the context of the Global Offering was, when it was issued, or has become, untrue, inaccurate or incorrect in any material respect or misleading in any respect; or that any estimate, forecast, expression or opinion, intention

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or expectation stated and contained in any of the aforesaid documents (including any supplement or amendment thereto) is not, in the sole and absolute opinion of the Sole Global Coordinator, in any material respect, 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, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission from this prospectus, the Application Forms, the formal notice and/or any notices, announcements, advertisements, communications or any other documents (including any supplement or amendment thereto) issued or used by or on behalf of our Company in connection with the Global Offering considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter) in its sole and absolute opinion to be material in the context of the Global Offering; or
- (iii) any breach, considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter) in its sole and absolute opinion to be material in the context of the Global Offering, of any of the obligations or undertakings imposed upon or undertaken by any party to the Hong Kong Underwriting Agreement (other than the Sole Global Coordinator or the Hong Kong Underwriter); or
- (iv) any breach of, or any event rendering untrue, inaccurate or incorrect in any material respect or misleading in any respect, any of the representations, warranties, agreements, undertakings and indemnities given by any of the executive Directors, the Founding Shareholders and our Company (the “**Warrantors**”); or any of such warranties being untrue, inaccurate or inaccurate in any material respect or misleading in any respect or considered, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter) to have been breached; or
- (v) any matter, event, act or omission which gives or is likely to give rise to any liability of any of the Warrantors under the Hong Kong Underwriting Agreement considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter) in its sole and absolute opinion to be material in the context of the Global Offering; or
- (vi) any potential litigation or disputes which would affect the operation, financial condition or reputation of the Company in any material adverse respect; or
- (vii) any change or development involving a prospective change in the conditions, assets, liabilities, profits, losses, business affairs, operation, prospects or the financial or trading position or performance of the Company considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter) in its sole and absolute opinion to be material in the context of the Global Offering; or
- (viii) that, as a result of material adverse and abrupt change in market conditions, any material order placed by any investor immediately before the allotment and issue of any Shares to such investor, has been withdrawn or cancelled, and the Sole Global Coordinator, in its sole and absolute opinion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or

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- (b) there shall develop, occur, exist, or come into force or effect, or continues to exist or be in force or effect:
- (i) any event, or series of events, in the nature of force majeure including, without limitation, any acts of government or orders of any courts, labour disputes, strikes, lock-outs, fire, explosion, flooding, earthquake, nuclear leakage, civil disobedience, commotion or disturbances or armed conflicts, riots, public disorder, declaration of any local, national, regional or international emergency, outbreak or declaration or escalation of hostilities (whether or not war is or has been declared) or of any other state of emergency or calamity or crisis, local or regional military conflicts, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, pandemic, outbreak or escalation of disease (including without limitation Severe Acute Respiratory Syndromes (SARS), avian influenza (H5N1, H7N9 or H10N8), swine flu (H1N1) or such related or variant types or mutated forms), interruption or delay in transportation, economic sanctions, in or affecting any of Hong Kong, the PRC or any other jurisdiction relevant to the Company (the “**Relevant Jurisdictions**”); or
 - (ii) any change or development involving a prospective change or development in, or any event or series of events currently in existence or otherwise, resulting or likely to result in, or representing or involving any prospective change or development in, local, national, regional or international financial, economic, political, military, industrial, fiscal, legal, regulatory, currency, credit or market conditions, equities securities or other financial markets (including without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions; or
 - (iii) any new law or regulation or policy or directive or change or development involving a prospective change in existing laws or regulations or policies or directives or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental or competent authority in or affecting any of the Relevant Jurisdictions; or
 - (iv) the imposition of economic sanctions or withdrawal of trading privileges or concessions, in whatever form, directly or indirectly, on or against or affecting any of the Relevant Jurisdictions; or
 - (v) a change or development involving a prospective change or modification in taxation or exchange control, currency exchange rates or foreign investment laws or regulations (including, without limitation, a devaluation of the HK\$ or an appreciation or depreciation of the RMB against any foreign currencies, a change in the system under which the value of the HK\$ is linked to that of the US\$ or the RMB is linked to any foreign currency or currencies, or a material fluctuation in the exchange rate of the HK\$ or RMB against any foreign currency, or any interruption in monetary or trading or securities settlement or clearance services or procedures), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting an investment in the Offer Shares; or

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- (vi) any adverse change or development involving a reasonably likely material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, profits, losses, condition, business, finance, earnings, trading position, prospects, properties, results of operations, general affairs, shareholders' equity, management, position or condition, financial or otherwise, whether or not arising in the ordinary course of business, or performance of the Company; or
- (vii) any litigation or claim of any third party being threatened or instigated against any of the Warrantors; or
- (viii) a demand by any tax authority for payment for any tax liability of the Company; or
- (ix) a valid demand by any creditor for repayment or payment of any indebtedness of the Company or in respect of which the Company is liable prior to its stated maturity; or
- (x) any loss or damage sustained by the Company as a result of a breach of its respective obligations or non-compliance with applicable laws and regulations (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xi) an order or petition being presented for the winding-up or liquidation of the Company or any composition or arrangement made by the Company with its creditors or a scheme of arrangement being entered into by the Company or any resolution being passed for the winding-up or liquidation of the Company or a provisional liquidator, receiver or manager being appointed to take over all or part of the assets or undertaking of the Company or anything analogous thereto occurring in respect of the Company; or
- (xii) any general moratorium on commercial banking activities in Hong Kong, the PRC or any other jurisdiction relevant to the Company, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, systems, procedures or matters in any of the Relevant Jurisdictions; or
- (xiii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or
- (xiv) any judicial, regulatory or governmental authority or political body or organisation in any of the Relevant Jurisdictions commencing any investigation, action, claim or proceedings, or announcing an intention to investigate or take any such action, against any Director; or
- (xv) any Director being charged with an indictable offence or prohibited by the operation of law or otherwise disqualified from taking part in the management of a company; or

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- (xvi) the Chairman or chief executive officer or chief financial officer of the Company vacating his office or any Director resigning his or her directorship from the Company (save as already disclosed in this prospectus); or
- (xvii) any contravention by the Company of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Listing Rules or other applicable laws or regulations in any of the Relevant Jurisdictions; or
- (xviii) any prohibition on the Company for whatever reason from allotting or issuing or selling the Offer Shares pursuant to the Global Offering and the terms set out in the Hong Kong Underwriting Agreement and this prospectus and the Application Forms; or
- (xix) any non-compliance on the part of the Company or the Directors of this prospectus, the Application Forms (or any other documents used in connection with the subscription and purchase of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws or regulations; or
- (xx) other than with the prior consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter), the issue or the requirement to issue by the Company of any supplement or amendment to this prospectus (or any other documents used in connection with the subscription or sale of the Offer Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xxi) any change or development involving a prospective change or development, or a materialization of, any of the risks set forth in the section headed “Risk factors” in this Prospectus,

which, individually or in aggregate, in the reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter),

- (A) has or may have or will have or is likely or expected to have a material adverse effect, whether directly or indirectly, on the assets, liabilities, business, general affairs, management, shareholders’ equity, profits, losses, trading position, results of operation, prospects, positions or conditions, financial or otherwise, or the performance of the Company; or
- (B) has or may have or will have or is likely or expected to have a material adverse effect on the level of applications or the level of interest with respect to the Global Offering and on the success of the Global Offering; or
- (C) makes, may make or will make or is likely or expected to make it impracticable or inadvisable or inexpedient for the Global Offering to proceed or to be performed or implemented as envisaged or to market the Global Offering; or

UNDERWRITING

- (D) makes, may make or will make or is likely or expected to make any part of the Hong Kong Underwriting Agreement and the agreement to be entered into for the determining of the Offer Price (including underwriting) incapable of performance with particular respect to the processing of applications for and payments for subscription of the Offer Shares and delivery of the Offer Shares on the terms and in the manner contemplated under the Hong Kong Underwriting Agreement and in this prospectus and the Application Forms and any other documents in connection with the subscription and purchase of the Offer Shares.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

In accordance with Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that (except pursuant to the Capitalisation Issue, the Global Offering, the grant of options or exercise of options granted or to be granted under the Share Option Scheme) at any time during the period commencing on the date of this prospectus and ending on the expiry of the six-month period after the Listing Date, we will not, without the prior consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules, allot or issue or agree to allot or issue any Shares or other securities convertible into equity securities of our Company (including warrants or other convertible securities), whether or not of a class already listed, except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriter that, except for the offer and sale of the Offer Shares pursuant to the Global Offering and the issue of Shares pursuant to the Capitalisation Issue and the Share Option Scheme at any time during the period from the date of the Hong Kong Underwriting Agreement up to the expiry of the six months immediately following the Listing Date (the “**First Six-Month Period**”), it will not without the prior written consent of the Sole Global Coordinator and unless in compliance with the Listing Rules:

- (a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option 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, make any short sale, lend, mortgage, assign or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any Shares or any other securities of our Company or any interest in any of the foregoing (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive, any Shares or any other securities of our Company) (the “**Held Interests**”); or
- (b) enter into any swap, derivative, lending, repurchase, mortgage or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Held Interests; or

UNDERWRITING

- (c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or
- (d) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (a), (b) or (c) above,

whether any of the foregoing transactions described in paragraphs (a), (b), (c) and (d) above is to be settled by delivery of such Held Interests or such other securities, in cash or otherwise, provided that the foregoing restrictions shall not apply to the issue of Shares by our Company pursuant to the Global Offering and our Company further agree that, in the event of an issue or disposal of any Shares or any interest therein during the six-month period immediately following the First Six-Month Period (the “**Second Six-Month Period**”), we shall take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or any other securities of our Company.

Undertakings by our Founding Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of the Founding Shareholders jointly and severally undertakes to and covenants with each of the Company, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriter that without the prior written consent of the Sole Global Coordinator and unless in compliance with the Listing Rules:

- (a) he/it shall not, and shall procure that his/its close associates or companies controlled by him/it or any relevant registered holder(s) (if any) or nominee(s) or trustee(s) holding in trust for him/it shall not, during the First Six-Month Period:
 - (1) offer, accept subscription for, sell, pledge, mortgage, charge, contract to sell, sell any option 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, make any short sale, lend, mortgage, assign or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of its Held Interests held as of the Listing Date; or
 - (2) enter into any swap, derivative, lending, repurchase, mortgage or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Held Interests; or
 - (3) enter into any transaction with the same economic effect as any transaction described in paragraphs (1) or (2) above; or
 - (4) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (1), (2) or (3) above,

whether any of the foregoing transactions described in paragraphs (1), (2), (3) or (4) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so; and

UNDERWRITING

- (b) at any time during the Second Six-Month Period, he/it will not enter into any of the foregoing transactions in paragraphs (1) or (2) or (3) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances or any other transactions, each of the Founding Shareholders will cease to constitute a Substantial Shareholder of our Company;
- (c) until the expiry of the Second Six Month Period, in the event that he enters into any such transactions or agrees or contracts to, or publicly announces an intention to enter into any such transactions, he will take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares; and
- (d) at any time during the period of 12 months after the Listing Date, (1) if he/it pledges or charges any Shares or other securities of our Company in respect of which he/it is the beneficial owner in favour of any authorised institution pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, he/it will immediately inform our Company, the Sole Global Coordinator and the Stock Exchange of any such pledges or charges and the number of Shares or other securities of the Company so pledged or charged, and (2), if he/it receives any indication, either verbal or written, from any such pledgee or chargee of Shares or other securities of our Company that such Shares or other securities of our Company will be disposed of, he/it will immediately inform our Company, the Sole Global Coordinator and the Stock Exchange of any such indication.

International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the International Underwriter and the Sole Global Coordinator. Under the International Underwriting Agreement, the International Underwriter, subject to certain conditions, will agree to purchase, or procure purchasers for, the International Offer Shares being offered pursuant to the International Offering.

Commission and expenses

The Hong Kong Underwriter will receive a gross commission of 2.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriter. The commissions payable to the Underwriters will be borne by our Company.

The aggregate commissions and fees, together with the fees in connection with the Listing, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to approximately HK\$39.20 million in total (assuming an Offer Price of HK\$0.84, which is the mid-point of our indicative price range of the Global Offering).

UNDERWRITING

Hong Kong Underwriter's interests in our Company

Save for its obligations under the Hong Kong Underwriting Agreement and save as disclosed in this prospectus, the Hong Kong Underwriter does not have any shareholding interests in our Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company.

Following completion of the Global Offering, the Hong Kong Underwriter and its affiliated companies may hold a certain portion of the Shares as a result of fulfilling its obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria set forth in Rule 3A.07 of the Listing Rules.

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.

The Global Offering consists of:

- (a) the Hong Kong Public Offering of 9,600,000 Shares (subject to reallocation as mentioned below) in Hong Kong as described in the paragraph headed “The Hong Kong Public Offering” below; and
- (b) the International Offering of 86,400,000 Shares (subject to reallocation as mentioned below) to professional and institutional investors as described in the paragraph headed “The International Offering” below.

The Offer Shares will represent approximately 25.19% of the enlarged issued share capital of our Company immediately after completion of the Global Offering.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriter is soliciting from prospective investors’ indications of interest in acquiring the International Offer Shares. Prospective 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.

The Shares will be traded in board lots of 4,000 each.

The number of Hong Kong Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in sub-paragraph headed “Reallocation and clawback” under the paragraph headed “The Hong Kong Public Offering” below.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares under the Hong Kong Public Offering will be conditional on, inter alia:

- the Listing Committee granting the Listing of, and permission to deal in, the Shares to be issued pursuant to the Global Offering and such listing and permission not having been subsequently revoked prior to the commencement of dealings in the Offer Shares on the Stock Exchange;
- the Offer Price having been determined on or around the Price Determination Date;

STRUCTURE OF THE GLOBAL OFFERING

- the execution and delivery of the International Underwriting Agreement on or around 15 February 2018; and
- the obligations of the Underwriters under the Underwriting Agreements having become unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Wednesday, 14 March 2018, being the 30th day after the date of this prospectus.

If, for any reason, the Offer Price is not agreed on or before Wednesday, 21 February 2018 between the Sole Global Coordinator (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

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. We will cause a notice of the lapse of the Hong Kong Public Offering to be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set forth in the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed 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, 1 March 2018 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our Shares, which is expected to be on Friday, 2 March 2018, provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements have been terminated in accordance with its terms. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

THE HONG KONG PUBLIC OFFERING

Number of Shares initially offered

The Company is initially offering 9,600,000 Shares at the Offer Price under the Hong Kong Public Offering, representing 10% of the 96,000,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to reallocation as mentioned below, the number of Shares initially offered under the Hong Kong Public Offering will represent approximately 2.52% of our enlarged issued share capital immediately after completion of the Capitalisation Issue and Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Offer Shares through the Hong Kong Public Offering, and such individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offer Shares will not be allotted International Offer Shares in the International Offering.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for the Hong Kong Offer Shares.

Allocation

Allocation of the Offer Shares to the Hong Kong Public Offering will be based solely on the level of applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares applied for by applicants. The allocation of Hong Kong Offer Shares 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.

Reallocation and clawback

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. If the Offer Shares under the International Offering are fully subscribed or oversubscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times; (ii) 50 times or more but less than 100 times; and (iii) 100 times or more, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 28,800,000, 38,400,000 and 48,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering, and such reallocation being referred to in this prospectus as “Mandatory Reallocation.” In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate.

If (i) the Offer Shares under the International Offering are fully subscribed or oversubscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents 100%, but less than 15 times, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering; or (ii) the Offer Shares under the International Offering are not fully subscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents 100% or more of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the Sole Global Coordinator may, at its discretion, reallocate the Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, provided that the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering shall not be increased to more than 19,200,000 Shares, representing double the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and 20% of the total number of Offer Shares initially available under the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form 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, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The Listing of the Offer 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\$0.96 per Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing and allocation" in this section is less than the maximum price of HK\$0.96 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to apply for the Hong Kong Offer Shares."

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of International Offer Shares offered

The number of International Offer Shares to be initially offered under the International Offering will be 86,400,000 Offer Shares, representing 90% of the Offer Shares under the Global Offering. Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent approximately 22.67% of our enlarged issued share capital immediately after completion of the Global Offering.

Allocation

Pursuant to the International Offering, the International Underwriter will conditionally place the International Offer Shares with institutional and professional investors and other investors expected to have a sizeable demand for the Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of the International Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and allocation" in this section and will be based on a number of factors including the level and timing of demand, 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, and/or hold or sell Offer Shares after Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of the Company and our Shareholders as a whole.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation

The total number of International Offer Shares to be transferred pursuant to the International Offering may change as a result of the clawback arrangement described in the sub-paragraph headed “Reallocation and clawback” under the paragraph headed “The Hong Kong Public Offering” in this section, and/or reallocation of all or any unsubscribed Hong Kong Offer Shares to the International Offering.

PRICING AND ALLOCATION

The International Underwriter will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of 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 about, the last day for lodging applications under the Hong Kong Public Offering.

Applicants under the Hong Kong Public Offering must pay, on application, the maximum indicative Offer Price of HK\$0.96 per Hong Kong Offer Share plus 1% brokerage, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$3,878.69 for one board lot of 4,000 Shares. Each Application Form includes a table showing the exact amounts payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$0.96 per Hong Kong Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 20 February 2018 and, in any event, not later than Wednesday, 21 February 2018.

The Offer Price will be not more than HK\$0.96 and is currently expected not to be less than HK\$0.72, 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 Offer Price range stated in this prospectus.

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Global Coordinator (on behalf of the Underwriters) considers it appropriate, the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of Thursday, 15 February 2018, being the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on the Stock Exchange’s website at www.hkexnews.hk, and on our Company’s website at www.oneforce.com.cn notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notice will

STRUCTURE OF THE GLOBAL OFFERING

also include confirmation or revision, as appropriate, of the working capital statement and the offering statistics as currently set forth in this prospectus and any other financial information which may change as a result of such reduction.

Before submitting applications for the Hong Kong Offer Shares, 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.

Applicants under the Hong Kong Public Offering should note that applications cannot be withdrawn once submitted, even if the number of Offer Shares being offered under the Global Offering is so reduced, provided that the Offer Price finally determined is within the indicative Offer Price range. In the absence of any notice being published of a reduction in the number of Offer Shares being offered under the Global Offering stated in this prospectus and the Application Forms, respectively, on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, once agreed upon, will under no circumstances be higher than the maximum Offer Price as stated in the Application Forms.

The Hong Kong Offer Shares and the International Offer Shares may, in certain circumstances, be reallocated as between the Hong Kong Public Offering and International Offering at the discretion of the Sole Global Coordinator.

The applicable Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the results of applications and basis of allotment of the Hong Kong Offer Shares are expected to be announced on Thursday, 1 March 2018 through a variety of channels as described in the paragraph headed “11. Publication of results” under the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 2 March 2018, it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 2 March 2018.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Sole Global Coordinator (on behalf of the Underwriters) and our Company on the Price Determination Date.

We expect that our Company will, on or about Thursday, 15 February 2018, shortly before determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Offering. Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in the section headed “Underwriting” in this prospectus.”

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for the Hong Kong Offer Shares, then you may not apply for or indicate an interest for the International Offer Shares.

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

- use a **WHITE** or **YELLOW** Application Form;
- apply online via **HK eIPO White Form** at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

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 Sole Global Coordinator, the **HK eIPO White Form** 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

You can apply for the Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through **HK eIPO White Form**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions it 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 **HK eIPO White Form** for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company;
- a Director or chief executive officer of our Company;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- an associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which application channel to use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For 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, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 12 February 2018 till 12:00 noon on Thursday, 15 February 2018 from:

- (a) any of the following office of the Hong Kong Underwriter:

Founder Securities (Hong Kong) Limited	21st Floor 33 Des Voeux Road Central Hong Kong
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- (b) any of the designated branches of the following receiving bank:

Bank of China (Hong Kong) Limited	Branch name	Address
Hong Kong Island	Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui
Kowloon	Wong Tai Sin Branch Yau Ma Tei Branch	Shop G13, Wong Tai Sin Plaza, Wong Tai Sin 471 Nathan Road, Yau Ma Tei
New Territories	Tseung Kwan O Plaza Branch	Shop 112-125, Level 1, Tseung Kwan O Plaza, Tseung Kwan O

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 12 February 2018 till 12:00 noon on Thursday, 15 February 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — ONEFORCE HOLDINGS PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Monday, 12 February 2018	— 9:00 a.m. to 5:00 p.m.
Tuesday, 13 February 2018	— 9:00 a.m. to 5:00 p.m.
Wednesday, 14 February 2018	— 9:00 a.m. to 5:00 p.m.
Thursday, 15 February 2018	— 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 15 February 2018, the last application day or such later time as described in the paragraph "10. Effect of bad weather on the opening of the application lists" under the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through **HK eIPO White Form**, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person whom you act:

- (a) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of our Company, 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;
- (b) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Articles of Association;
- (c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (d) confirm that you have received and read this prospectus and have only relied on the information and representations contained 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;
- (e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (f) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, 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 in this prospectus (and any supplement to it);

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (g) 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 under the International Offering nor participated in the International Offering;
- (h) agree to disclose to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (i) 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 Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law 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 contained in this prospectus and the Application Form;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) 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 described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (o) authorise 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 our Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the Share certificate(s) and/or refund cheque(s) in person;
- (p) 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;
- (q) understand that our Company and the Sole Global Coordinator 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 for making a false declaration;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (s) (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 on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK EIPO WHITE FORM SERVICE

General

Individuals who meet the criteria set out in the paragraph headed “2. Who can apply” in this section may apply through **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through **HK eIPO White Form** 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 **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 12 February 2018 until 11:30 a.m. on Thursday, 15 February 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 15 February 2018 or such later time in as set out in the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

No multiple applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through **HK eIPO White Form** 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 **HK eIPO White Form** 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.

If you are suspected of submitting more than one application through **HK eIPO White Form** 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, our 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 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

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 2979-7888 or through the CCASS Internet System (<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 Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

HOW TO APPLY FOR THE 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 our Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a WHITE Application Form is signed by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (b) 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;
 - 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 authorized to give those instructions as their agent;
 - confirm that you understand that our Company, the Directors and the Sole Global Coordinator 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;
 - authorise our Company to place HKSCC Nominees' name on our 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;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- 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 our Company, the Sole Global Coordinator, 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 our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator, 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 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 our 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 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 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 our 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; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, 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 our 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 and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful 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 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 the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 4,000 Hong Kong Offer Shares. Instructions for more than 4,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, 12 February 2018	— 9:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 13 February 2018	— 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 14 February 2018	— 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 15 February 2018	— 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 12 February 2018 until 12:00 noon on Thursday, 15 February 2018 (24 hours daily, except on the last application day).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 15 February 2018, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for 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 benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each 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).

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bankers, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

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 **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** 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. Our Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through **HK eIPO White Form** 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 either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 15 February 2018.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). 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 **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Hong Kong Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

You may submit an application using a **WHITE** or **YELLOW** Application Form or through **HK eIPO White Form** service in respect of a minimum of 4,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 4,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the paragraph headed “Pricing and allocation” under the section headed “Structure of the Global Offering” in this prospectus.

10. EFFECT OF BAD WEATHER 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; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 15 February 2018. 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 warnings 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, 15 February 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable,” 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, 1 March 2018 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on our Company’s website at www.oneforce.com.cn and the website of the Stock Exchange at 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 our Company’s website at www.oneforce.com.cn and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Thursday, 1 March 2018;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 1 March 2018 to 12:00 midnight on Wednesday, 7 March 2018;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- by telephone enquiry line by calling 3691-8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 1 March 2018 to Tuesday, 6 March 2018 (excluding Saturday, Sunday and public holiday in Hong Kong);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 1 March 2018 to Monday, 5 March 2018 at all the receiving bank designated branches.

If our 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. Further details are contained in 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:

If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, 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 our 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 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.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** 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.

If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee 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 our Company of that longer period within three weeks of the closing date of the application lists.

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 Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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\$0.96 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Global Offering are not fulfilled in accordance with the paragraph “Conditions of the Hong Kong Public Offering” under the section headed “Structure 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 brokerage, SFC 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 Thursday, 1 March 2018.

14. DESPATCH/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 on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS 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. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheque(s) and Share certificates are expected to be posted on or around Thursday, 1 March 2018. 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).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Share certificates will only become valid at 8:00 a.m. on Friday, 2 March 2018 provided that the Global Offering has become unconditional and the right of termination described under 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

If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 1 March 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 1 March 2018, by ordinary post and at your own risk.

If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 1 March 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and 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 credit to your or the designated CCASS Participant’s stock account as stated in your Application Form on Thursday, 1 March 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)

For Hong Kong Offer Shares credited to your designated CCASS Participant’s stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- If you are applying as a CCASS Investor Participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described under the paragraph "Publication of results" under the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 1 March 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

If you apply through HK eIPO White Form 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 Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 1 March 2018, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheque(s).

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 Thursday, 1 March 2018 by ordinary post at your own risk.

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-Auto 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.

If you apply via electronic application instructions to HKSCC

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, 1 March 2018, or, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our 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 under the paragraph “Publication of results” under the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus on Thursday, 1 March 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 1 March 2018 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.
- 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, 1 March 2018. 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 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, 1 March 2018.

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 our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business 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 our Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-59, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ONEFORCE HOLDINGS LIMITED AND LY CAPITAL LIMITED

INTRODUCTION

We report on the historical financial information of OneForce Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-59, which comprises the consolidated statements of financial position of the Group as at 31 March 2015, 2016 and 2017 and 31 August 2017 and the statements of financial position of the Company as at 31 March 2017 and 31 August 2017, and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 (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-59 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 12 February 2018 (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 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 preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**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 accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error.

In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 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 purpose of the accountants' report, a true and fair view of the Group's financial position as at 31 March 2015, 2016 and 2017 and 31 August 2017 and the Company's financial position as at 31 March 2017 and 31 August 2017, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the five months ended 31 August 2016 and other explanatory information (the "**Stub Period Corresponding Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 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 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 22(c) to the Historical Financial Information which states that no dividends have been paid by the Company 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 incorporation.

KPMG

Certified Public Accountants

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10 Chater Road

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12 February 2018

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	Years ended 31 March			Five months ended 31 August	
		2015 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000 (unaudited)	2017 RMB'000
Revenue	4	47,899	59,047	87,338	20,312	27,309
Cost of sales		(24,810)	(28,561)	(47,882)	(11,298)	(14,545)
Gross profit	4(b)	23,089	30,486	39,456	9,014	12,764
Other income	5	819	3,249	4,806	1,083	4,440
Selling expenses		(2,610)	(2,822)	(4,457)	(1,503)	(1,803)
Administrative and other operating expenses		(4,648)	(4,775)	(18,113)	(4,331)	(8,073)
Profit from operations		16,650	26,138	21,692	4,263	7,328
Finance costs	6(a)	(1,159)	(503)	—	—	—
Profit before taxation	6	15,491	25,635	21,692	4,263	7,328
Income tax	7	(2,070)	(3,467)	(3,688)	(774)	(1,253)
Profit for the year/period attributable to equity shareholders of the Company		<u>13,421</u>	<u>22,168</u>	<u>18,004</u>	<u>3,489</u>	<u>6,075</u>
Earnings per share						
Basic and diluted (RMB)	10	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Years ended 31 March			Five months ended 31 August	
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Profit for the year/period	13,421	22,168	18,004	3,489	6,075
Other comprehensive income for the year/period (after tax)					
Item that may be reclassified subsequently to profit or loss:					
– Exchange differences on translation into presentation currency	—	—	(1,035)	(378)	(1,055)
Total comprehensive income for the year/period attributable to equity shareholders of the Company	<u>13,421</u>	<u>22,168</u>	<u>16,969</u>	<u>3,111</u>	<u>5,020</u>

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	At 31 March			At
		2015	2016	2017	31 August
		RMB'000	RMB'000	RMB'000	2017
					RMB'000
Non-current assets					
Property, plant and equipment	11	368	789	599	867
Intangible assets	12	2,240	3,821	5,962	6,837
		2,608	4,610	6,561	7,704
Current assets					
Inventories	14	1,851	3,442	6,577	5,561
Trade and bill receivables	15	63,875	37,661	69,656	59,566
Prepayments, deposits and other receivables	16	53,348	58,016	10,706	10,610
Cash and cash equivalents	17	3,545	7,307	35,411	46,864
		122,619	106,426	122,350	122,601
Current liabilities					
Borrowings	18	15,000	—	—	—
Trade payables	19	2,594	2,460	2,917	1,577
Other payables and accruals	20	48,753	38,023	8,188	4,732
Income tax payable	21(a)	3,854	5,616	7,699	8,978
		70,201	46,099	18,804	15,287
Net current assets					
		52,418	60,327	103,546	107,314
Total assets less current liabilities					
		55,026	64,937	110,107	115,018
Non-current liabilities					
Deferred tax liabilities	21(b)	326	573	418	309
NET ASSETS					
		54,700	64,364	109,689	114,709
Capital and reserves					
Share capital	22	—	—	—	—
Reserves		54,700	64,364	109,689	114,709
TOTAL EQUITY					
		54,700	64,364	109,689	114,709

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		<u>At 31 March</u>	<u>At 31 August</u>
	Note	2017	2017
		<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Investment in a subsidiary	13	—	—
Amounts due from a subsidiary	13	26,634	25,421
		<u>26,634</u>	<u>25,421</u>
Capital and reserves			
Share capital	22	—	—
Reserves		26,634	25,421
TOTAL EQUITY		<u>26,634</u>	<u>25,421</u>

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to equity shareholders of the Company						Total equity RMB'000
		Share capital	Share premium	Other reserves	Statutory reserves	Exchange reserve	Retained profits	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
		(Note 22(b))	(Note 22(d)(i))	(Note 22(d)(ii))	(Note 22(d)(iii))	(Note 22(d)(iv))		
At 1 April 2014		—	—	50,000	13,176	—	43,558	106,734
Changes in equity for the year ended 31 March 2015:								
Profit and total comprehensive income for the year		—	—	—	—	—	13,421	13,421
Reclassification between reserves		—	—	—	(12,242)	—	12,242	—
Distributions	22(c)	—	—	—	—	—	(65,455)	(65,455)
		—	—	—	(12,242)	—	(53,213)	(65,455)
At 31 March 2015		—	—	50,000	934	—	3,766	54,700
At 1 April 2015		—	—	50,000	934	—	3,766	54,700
Changes in equity for the year ended 31 March 2016:								
Profit and total comprehensive income for the year		—	—	—	—	—	22,168	22,168
Appropriation to reserves		—	—	—	1,389	—	(1,389)	—
Distributions	22(c)	—	—	—	—	—	(12,504)	(12,504)
		—	—	—	1,389	—	(13,893)	(12,504)
At 31 March 2016		—	—	50,000	2,323	—	12,041	64,364

The accompanying notes form part of the Historical Financial Information.

		Attributable to equity shareholders of the Company						
Note	Share capital RMB'000 (Note 22(b))	Share premium RMB'000 (Note 22(d)(i))	Other reserves RMB'000 (Note 22(d)(ii))	Statutory reserves RMB'000 (Note 22(d)(iii))	Exchange reserve RMB'000 (Note 22(d)(iv))	Retained profits RMB'000	Total equity RMB'000	
At 1 April 2016	—	—	50,000	2,323	—	12,041	64,364	
Changes in equity for the year ended 31 March 2017:								
Profit and total comprehensive income for the year	—	—	—	—	(1,035)	18,004	16,969	
Issuance of shares	22(b)	25,747	—	—	—	—	25,747	
Contributions from the Founding Shareholders	22(d)(ii)	—	54,609	—	—	—	54,609	
Effect on equity arising from the Reorganisation	22(d)(ii)	—	(52,000)	—	—	—	(52,000)	
Appropriation to reserves		—	—	636	—	(636)	—	
		25,747	2,609	636	—	(636)	28,356	
At 31 March 2017	—	25,747	52,609	2,959	(1,035)	29,409	109,689	

The accompanying notes form part of the Historical Financial Information.

		Attributable to equity shareholders of the Company						
Note	Share capital RMB'000 (Note 22(b))	Share premium RMB'000 (Note 22(d)(i))	Other reserves RMB'000 (Note 22(d)(ii))	Statutory reserves RMB'000 (Note 22(d)(iii))	Exchange reserve RMB'000 (Note 22(d)(iv))	Retained profits RMB'000	Total equity RMB'000	
At 1 April 2017	—	25,747	52,609	2,959	(1,035)	29,409	109,689	
Changes in equity for the five months ended 31 August 2017:								
Profit and total comprehensive income for the period	—	—	—	—	(1,055)	6,075	5,020	
At 31 August 2017	—	25,747	52,609	2,959	(2,090)	35,484	114,709	
At 1 April 2016	—	—	50,000	2,323	—	12,041	64,364	
Changes in equity for the five months ended 31 August 2016 (unaudited):								
Profit and total comprehensive income for the period (unaudited)	—	—	—	—	(378)	3,489	3,111	
Contributions from the Founding Shareholders (unaudited)	22(d)(ii)	—	31,499	—	—	—	31,499	
Effect on equity arising from the Reorganisation (unaudited)	22(d)(ii)	—	(52,000)	—	—	—	(52,000)	
		—	(20,501)	—	—	—	(20,501)	
At 31 August 2016 (unaudited)	—	—	29,499	2,323	(378)	15,530	46,974	

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS

	Note	Years ended 31 March			Five months ended 31 August	
		2015 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000 (unaudited)	2017 RMB'000
Cash flows from operating activities						
Profit before taxation		15,491	25,635	21,692	4,263	7,328
Adjustments for:						
Depreciation and amortisation	6(c)	508	930	1,617	595	900
Finance costs	6(a)	1,159	503	—	—	—
Changes in working capital:						
(Increase)/decrease in inventories		(1,119)	(1,591)	(3,135)	(2,869)	1,016
(Increase)/decrease in trade and bill receivables		(17,015)	26,214	(31,995)	(25,981)	10,090
Decrease/(increase) in prepayments, deposits and other receivables		1,124	(256)	(7,869)	19,145	96
(Decrease)/increase in trade payables		(238)	(134)	457	(1,513)	(1,340)
Increase/(decrease) in other payables and accruals		3,040	(34)	2,200	771	(4,082)
Cash generated from/(used in) operations		2,950	51,267	(17,033)	(5,589)	14,008
Income tax paid	21(a)	(3)	(1,458)	(1,760)	(1,760)	(83)
Net cash generated from/(used in) operating activities		2,947	49,809	(18,793)	(7,349)	13,925
Cash flows from investing activities						
Payments for purchase of property, plant and equipment		(397)	(555)	(40)	(20)	(374)
Payments for self-developed intangible assets		(2,271)	(2,377)	(3,528)	(1,648)	(1,669)
Proceeds from sale of property, plant and equipment		141	—	—	—	—
Proceeds from disposal of an associate		400	—	—	—	—
Net cash used in investing activities		(2,127)	(2,932)	(3,568)	(1,668)	(2,043)

The accompanying notes form part of the Historical Financial Information.

	Note	Years ended 31 March			Five months ended 31 August	
		2015 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000 (unaudited)	2017 RMB'000
Cash flows from financing activities						
Proceeds from new borrowings		15,000	—	—	—	—
Repayment of borrowings		(15,000)	(15,000)	—	—	—
Proceeds from issuance of shares	22(b)	—	—	25,747	—	—
Capital contributions from the Founding Shareholders	22(d)(ii)	—	—	54,609	31,499	—
Net (increase)/decrease in advances due from related parties	25(c)/ 17(b)(i)	(4,353)	2,388	21,767	(280)	—
Distributions paid by a subsidiary	17(b)(i)	—	(30,000)	—	—	—
Payment for the acquisition of Along Grid	22(d)(ii)	—	—	(52,000)	—	—
Interest paid		(1,224)	(503)	—	—	—
Net cash (used in)/generated from financing activities		<u>(5,577)</u>	<u>(43,115)</u>	<u>50,123</u>	<u>31,219</u>	<u>—</u>
Net (decrease)/increase in cash and cash equivalents		(4,757)	3,762	27,762	22,202	11,882
Cash and cash equivalents at the beginning of the year/period	17	8,302	3,545	7,307	7,307	35,411
Effect on foreign exchange rates changes		—	—	342	451	(429)
Cash and cash equivalents at the end of the year/period	17	<u>3,545</u>	<u>7,307</u>	<u>35,411</u>	<u>29,960</u>	<u>46,864</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

OneForce Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 5 July 2016 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation completed on 5 August 2016 (the “**Reorganisation**”) below.

Prior to the Reorganisation, Mr Wang Dongbin, Mr Wu Zhanjiang, Mr Cao Wei and Mr Li Kangying (collectively referred to as the “**Founding Shareholders**”) together owned 100% of the equity interests in Along Grid Technology Company Limited (“**Along Grid**”), a company principally engaged in the design, implementation, enhancement and upgrades of software systems and the provision of technical services for power grid and distribution companies in the People’s Republic of China (the “**PRC**”) and the sale of hardware. To rationalise the corporate structure in preparation of the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the Company and its subsidiaries (hereinafter referred to as the “**Group**”) underwent the Reorganisation, as detailed in the section headed “History and Development and Reorganisation” in the prospectus of the Company dated 12 February 2018 (the “**Prospectus**”). Upon completion of the Reorganisation, the Company became the parent company of Along Grid and the holding company of the Group.

The companies that took part in the Reorganisation were controlled by the Founding Shareholders before and after the Reorganisation and there were no changes in the economic substance of the ownership and the business of Along Grid. The Reorganisation only involved in the insertion of the Company, First Magic International Limited (“**First Magic**”) and Citimax Development Limited (“**Citimax Development**”) as holding companies of Along Grid and there was no change in the business and operation of Along Grid. Accordingly, no business combination has taken place and the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition as set out in International Financial Reporting Standard 3, *Business Combinations*, with Along Grid being treated as the acquirer for accounting purposes. The Historical Financial Information comprising the Company and its subsidiaries has been prepared as a continuation of the financial statements of Along Grid with the assets and liabilities of Along Grid being recognised and measured at their historical carrying amounts prior to the Reorganisation.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information.

As at the date of this report, no statutory audited financial statements have been prepared for the Company, First Magic and Citimax Development, as they either have not carried on any business since the date of incorporation or are investment holding companies which are not subject to statutory audit requirements under the relevant rules and regulations in the respective jurisdictions of incorporation. The financial statements of the subsidiary of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to the entity in the country in which it was established.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Company name	Place and date of establishment/ incorporation	Particulars of registered/ issued and paid-up capital	Proportion of ownership interest		Principal activities	Name of statutory auditor
			Held by the Company	Held by a subsidiary		
Along Grid (北京愛朗格瑞科技有限公司) ¹	The PRC 25 May 2011	RMB50,000,000	—	100%	Design, implementation, enhancement and upgrades of software systems and the provision of technical services and the sale of hardware	Beijing Zhong Chong Xin Certified Public Accountants Co., Ltd. (北京中崇信會計師事務所有限責任公司) ²
First Magic	The British Virgin Islands 9 June 2015	1 share of US\$1 each	100%	—	Investment holding	N/A
Citimax Development	Hong Kong 26 January 2016	1 share	—	100%	Investment holding	N/A

1. The official name of this entity is in Chinese. The English name is for identification purpose only. This entity was registered as a wholly foreign-owned enterprise in the PRC.
2. The official name of this entity is in Chinese. The English name is for identification purpose only.

All companies now comprising the Group have adopted 31 March as their financial year end date except for Along Grid which has a financial year end date of 31 December.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (the “IASB”). Further details of the significant accounting policies adopted by the Group are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning on 1 April 2017. The new and revised accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 April 2017 are set out in Note 26.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The Historical Financial Information is presented in Renminbi (“RMB”), rounded to the nearest thousand.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (Note 2(g)).

(d) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (Note 2(g)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Motor vehicles, office equipment and other equipment 3 to 5 years

When parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(e) Intangible assets

Expenditure on an internal research and development projects is distinguished between the expenditures during the research phase and expenditures during the development phase. Research activities involve original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development activities involve a plan or design for the production of new or substantially improved materials, devices, products or processes before the start of commercial production or use.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (Note 2(g)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (Note 2(g)).

Amortisation of intangible assets shall begin when the asset is available for use. Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— Software and patents 3 to 5 years

Both the period and method of amortisation are reviewed annually.

(f) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(g) Impairment of assets

(i) Impairment of receivables

Receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior periods.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and bills receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and bills receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets, and;
- investment in a subsidiary in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(h) Inventories

Inventories are carried at the lower of cost and net realisable value. 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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the year in which the reversal occurs.

(i) Project contracts in progress

Project contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (Notes 2(q)(i) and 2(q)(ii)) less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Project contracts in progress are presented as part of trade and bill receivables in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred revenue in the statement of financial position.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (Note 2(g)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (Note 2(g)).

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(n) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(o) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, and items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of software systems

Revenue from the sale of software systems is recognised using the percentage of completion method. Revenue from a fixed price contract is measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(ii) Render of technical services

Revenue from the rendering of technical services is recognised by reference to the stage of completion of the transaction based on the progress of work performed.

(iii) Sale of hardware

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any sales discounts.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(r) Translation of foreign currencies

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into RMB, the Group's presentation currency, at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulation separately in equity in the exchange reserve.

(s) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(t) Related parties

- (i) A person, or a close member of that person's family, is related to the Group if:
 - (a) that person has control or joint control over the Group;
 - (b) that person has significant influence over the Group; or
 - (c) that person is a member of the key management personnel of the Group or of a parent of the Group.
- (ii) An entity is related to the Group if any of the following conditions applies:
 - (a) the entity and the Group are members of the same group;
 - (b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

- (c) both entities are joint ventures of the same third party;
- (d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (f) the entity is controlled or jointly controlled by a person identified in (i);
- (g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (h) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to sale the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Note 23 contains information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Service contracts

As explained in Notes 2(i) and 2(q)(i), revenue recognition on an uncompleted service project is dependent on estimating the total outcome of the service contract, as well as the work done to date. Based on the Group's recent experience and the nature of the service activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in Note 15 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total

cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future periods as an adjustment to the amounts recorded to date.

(b) Impairment losses for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Group bases the estimates on the ageing of the receivable balance, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(c) Impairment of intangible assets

If circumstances indicate that the carrying amount of intangible asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of intangible assets as described in Note 2(g)(ii). These assets are tested for impairment periodically or whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable.

When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the recoverable amount of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(d) Income tax

The Group calculates current taxation based on the taxable income for the period using tax rates enacted or substantively enacted at the end of the reporting period, and after taking into consideration whether the Group has satisfied the conditions as stipulated in the tax rules and regulations which may result in the Group be able to enjoy certain preferential tax rates and tax allowable deductions. Such preferential tax rates and tax allowable deductions are subject to the approvals by the relevant tax authorities in the following fiscal year. Actual current taxation maybe higher or lower than estimated at the end of the reporting period.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the design, implementation, enhancement and upgrades of software systems and the provision of technical services for power grid and distribution companies in the PRC and the sale of hardware.

Revenue represents contract revenue from the sales of software systems and the provision of technical services to customers and the sales of hardware. The amounts of each significant category of revenue recognised during the Track Record Period are as follows:

	Years ended 31 March			Five months ended 31 August	
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i> (unaudited)	2017 <i>RMB'000</i> (unaudited)
Sales of software systems	7,733	21,108	42,835	8,586	14,590
Provision of technical services	33,174	32,370	25,619	8,966	10,455
Sales of hardware	6,992	5,569	18,884	2,760	2,264
	<u>47,899</u>	<u>59,047</u>	<u>87,338</u>	<u>20,312</u>	<u>27,309</u>

During the Track Record Period, the Group's customers with whom transactions have exceeded 10% of the Group's revenue in the respective years or periods are set out below:

	Years ended 31 March			Five months ended 31 August	
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i> (unaudited)	2017 <i>RMB'000</i> (unaudited)
State Grid Corporation of China and its affiliates	16,835	20,632	20,843	6,817	6,251
Inner Mongolia Power (Group) Company Limited and its affiliates	12,849	25,217	48,982	8,610	19,069
Chinasoft International Information Technology Limited	<u>12,448</u>	<u>9,060</u>	<u>*</u>	<u>*</u>	<u>*</u>

* Transactions from this customer did not exceed 10% of the Group's revenue in the respective year or period.

Details of concentration of credit risk arising from the customers are set out in Note 23(a).

(b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which the information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments:

- Software systems: this segment engages in the design, implementation, enhancement and upgrades of software systems for power grid and distribution companies.
- Technical services: this segment engages in the provision of maintenance services on the software systems sold.
- Hardware: this segment sells software systems related hardware and spare parts.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitor the results attributable to each reportable segment on the following basis:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit. No inter-segment sales have occurred during the Track Record Period. The Group's other income and expense items, such as other income, selling expenses, administrative and other operating expenses, and assets and liabilities, including the sharing of technical know-how, are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the Track Record Period is set out below.

	Year ended 31 March 2015			
	Software systems RMB'000	Technical services RMB'000	Hardware RMB'000	Total RMB'000
Revenue from external customers and reportable segment revenue	<u>7,733</u>	<u>33,174</u>	<u>6,992</u>	<u>47,899</u>
Reportable segment gross profit	<u>4,081</u>	<u>18,628</u>	<u>380</u>	<u>23,089</u>

	Year ended 31 March 2016			
	Software systems <i>RMB'000</i>	Technical services <i>RMB'000</i>	Hardware <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers and reportable segment revenue	<u>21,108</u>	<u>32,370</u>	<u>5,569</u>	<u>59,047</u>
Reportable segment gross profit	<u>13,217</u>	<u>15,991</u>	<u>1,278</u>	<u>30,486</u>
	Year ended 31 March 2017			
	Software systems <i>RMB'000</i>	Technical services <i>RMB'000</i>	Hardware <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers and reportable segment revenue	<u>42,835</u>	<u>25,619</u>	<u>18,884</u>	<u>87,338</u>
Reportable segment gross profit	<u>25,029</u>	<u>11,376</u>	<u>3,051</u>	<u>39,456</u>
	Five months ended 31 August 2016 (unaudited)			
	Software systems <i>RMB'000</i>	Technical services <i>RMB'000</i>	Hardware <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers and reportable segment revenue	<u>8,586</u>	<u>8,966</u>	<u>2,760</u>	<u>20,312</u>
Reportable segment gross profit	<u>4,464</u>	<u>3,776</u>	<u>774</u>	<u>9,014</u>
	Five months ended 31 August 2017			
	Software systems <i>RMB'000</i>	Technical services <i>RMB'000</i>	Hardware <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers and reportable segment revenue	<u>14,590</u>	<u>10,455</u>	<u>2,264</u>	<u>27,309</u>
Reportable segment gross profit	<u>8,321</u>	<u>3,907</u>	<u>536</u>	<u>12,764</u>

(ii) Geographic information

All of the Group's operations are carried out and the Group's customers are located in the PRC. The Group's non-current assets, including property, plant and equipment and intangible assets are all located or allocated to operations located in the PRC.

5 OTHER INCOME

	Years ended 31 March			Five months ended 31 August	
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i> (unaudited)	2017 <i>RMB'000</i>
Refund of value-added-tax ("VAT") (<i>Note (i)</i>)	794	2,184	4,725	1,080	4,248
Income in connection with an arbitration case (<i>Note (ii)</i>)	—	1,000	—	—	—
Others	25	65	81	3	192
	<u>819</u>	<u>3,249</u>	<u>4,806</u>	<u>1,083</u>	<u>4,440</u>

Notes:

- (i) Pursuant to the tax rules and regulations in the PRC, entities engage in the sale of self-developed software in the PRC and pay VAT at a rate of 17% are entitled to a VAT refund to the extent of the VAT payable in excess of 3% of the self-developed software sold.
- (ii) In 2015, Along Grid was involved in an arbitration against a customer in connection with a dispute over outstanding payments from a sale took place in 2012. According to the arbitration award dated 26 August 2015, the arbitration tribunal ruled in favour of Along Grid where this customer was required to settle its outstanding payments with Along Grid plus late penalties and interest of RMB1,000,000.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Years ended 31 March			Five months ended 31 August	
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i> (unaudited)	2017 <i>RMB'000</i>
Interest on borrowings	1,159	503	—	—	—

(b) Staff costs[#]

	Years ended 31 March			Five months ended 31 August	
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i> (unaudited)	2017 <i>RMB'000</i>
Salaries, wages and other benefits	16,599	18,313	22,406	8,356	9,623
Contributions to defined contribution retirement scheme	1,216	1,534	1,663	621	598
	17,815	19,847	24,069	8,977	10,221

The employees of the subsidiary of the Group established in the PRC (other than Hong Kong) participate in a defined contribution retirement benefit scheme managed by the local government authority, whereby this subsidiary is required to contribute to the scheme at a rate of 20% of the employees' basic salaries. Employees of this subsidiary are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (other than Hong Kong), from the above mentioned retirement scheme at their normal retirement age.

The Group has no further obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	Years ended 31 March			Five months ended 31 August	
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Depreciation and amortisation [#] (Notes 11 and 12)	508	930	1,617	595	900
Operating lease charges in respect of office premises	1,518	2,679	2,810	1,131	1,316
Auditors' remuneration:					
— statutory audit services	110	110	110	46	46
— services in connection with the proposed initial listing of the Company's shares	—	—	1,746	630	1,197
Research and development costs (other than amortisation)	548	628	822	247	511
Cost of inventories sold [#] (Note 14)	<u>24,602</u>	<u>27,845</u>	<u>47,121</u>	<u>11,185</u>	<u>13,938</u>

[#] Cost of inventories sold include RMB14,578,000, RMB17,339,000, RMB20,759,000, RMB7,605,000 (unaudited), and RMB5,654,000, relating to staff costs, and depreciation and amortisation for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 (unaudited) and 2017, respectively, which amounts are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss represent:

	Years ended 31 March			Five months ended 31 August	
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Current tax – PRC Corporate Income Tax (Note 21(a))					
— Provision for the year/period	3,950	3,220	3,843	839	1,362
Deferred Tax (Note 21(b))					
— Origination and reversal of temporary differences	<u>(1,880)</u>	<u>247</u>	<u>(155)</u>	<u>(65)</u>	<u>(109)</u>
	<u>2,070</u>	<u>3,467</u>	<u>3,688</u>	<u>774</u>	<u>1,253</u>

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Years ended 31 March			Five months ended 31 August	
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i> (unaudited)	2017 <i>RMB'000</i>
Profit before taxation	<u>15,491</u>	<u>25,635</u>	<u>21,692</u>	<u>4,263</u>	<u>7,328</u>
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (Notes (i), (ii) and (iii))	3,873	6,409	5,507	1,253	1,932
Tax effect of non-deductible expenses	214	306	640	38	157
Tax concessions (Note (iv))	<u>(2,017)</u>	<u>(3,248)</u>	<u>(2,459)</u>	<u>(517)</u>	<u>(836)</u>
Actual tax expense	<u>2,070</u>	<u>3,467</u>	<u>3,688</u>	<u>774</u>	<u>1,253</u>

Notes:

- (i) The subsidiary of the Group incorporated in Hong Kong is subject to Hong Kong Profits Tax rate of 16.5% for the Track Record Period.
- (ii) The Company and the subsidiary of the Group incorporated in countries other than the PRC (including Hong Kong) are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.
- (iii) The subsidiary of the Group established in the PRC (excluding Hong Kong) is subject to PRC Corporate Income Tax rate of 25% for the Track Record Period.
- (iv) The subsidiary of the Group established in the PRC, namely Along Grid, has obtained the “Software and Integrate Circuit Enterprise” certificate issued by the government authority, and according to the relevant tax rules and regulations, Along Grid is entitled to a 100% relief from PRC Corporate Income Tax in the first and second years and 50% relief for the third to fifth years, commencing from the first profitable year. Accordingly, Along Grid enjoyed a preferential PRC Corporate Income Tax rate of 12.5% for the calendar years of 2014 and 2015. Along Grid has obtained an approval from the tax bureau to be taxed as an enterprise with advanced and new technologies, and therefore enjoys a preferential PRC Corporate Income Tax rate of 15% for the calendar years from 2016 to 2019.

8 DIRECTORS' EMOLUMENTS

Details of the emoluments of the directors during the Track Record Period are as follows:

Year ended 31 March 2015					
Directors'	Salaries, allowances and benefits in-kind	Discretionary bonuses	Retirement scheme contributions	Total	
fees	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Executive directors					
Mr Wang Dongbin	—	325	21	47	393
Mr Wu Hongyuan	—	444	35	42	521
	—	769	56	89	914
Year ended 31 March 2016					
Directors'	Salaries, allowances and benefits in-kind	Discretionary bonuses	Retirement scheme contributions	Total	
fees	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Executive directors					
Mr Wang Dongbin	—	406	32	52	490
Mr Wu Hongyuan	—	452	37	67	556
	—	858	69	119	1,046
Year ended 31 March 2017					
Directors'	Salaries, allowances and benefits in-kind	Discretionary bonuses	Retirement scheme contributions	Total	
fees	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Executive directors					
Mr Wang Dongbin	—	408	23	47	478
Mr Wu Hongyuan	—	455	31	48	534
Non-executive director					
Mr Li Yuezhong (appointed on 23 September 2016)	—	—	—	—	—
	—	863	54	95	1,012

Five months ended 31 August 2016 (unaudited)

	Directors' fees <i>RMB'000</i>	Salaries, allowances and benefits in-kind <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Retirement scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors					
Mr Wang Dongbin	—	146	11	21	178
Mr Wu Hongyuan	—	166	13	23	202
	—	312	24	44	380

Five months ended 31 August 2017

	Directors' fees <i>RMB'000</i>	Salaries, allowances and benefits in-kind <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Retirement scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors					
Mr Wang Dongbin	—	158	10	19	187
Mr Wu Hongyuan	—	177	13	20	210
Non-executive director					
Mr Li Yuezhong	—	—	—	—	—
	—	335	23	39	397

On 5 July 2016, the Company appointed Mr Wang Dongbin as the chairman and executive director. On 30 November 2016, Mr Wu Hongyuan was appointed as chief executive officer and executive director. On 23 September 2016, Mr Li Yuezhong was appointed as non-executive director. On 5 February 2018, Mr Ng Kong Fat, Mr Han Bin and Mr Wang Peng were appointed as independent non-executive directors.

During the Track Record Period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No remuneration was paid to independent non-executive directors during the Track Record Period as the independent non-executive directors were appointed subsequent to the Track Record Period.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the Track Record Period, of the five individuals with the highest emoluments, two are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	Years ended 31 March			Five months ended 31 August	
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i> (unaudited)	2017 <i>RMB'000</i>
Salaries and other emoluments	1,055	1,031	1,037	372	612
Discretionary bonuses	50	68	75	17	18
Retirement scheme contributions	89	87	78	36	52
	<u>1,194</u>	<u>1,186</u>	<u>1,190</u>	<u>425</u>	<u>682</u>

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following band:

	Years ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016 (unaudited)	2017
Hong Kong dollars ("HK\$") Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

During the Track Record Period, no emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results for the Track Record Period using the basis of preparation as disclosed in Note 1 above.

11 PROPERTY, PLANT AND EQUIPMENT

The Group

	Motor vehicles, office equipment and other equipment <i>RMB'000</i>
Cost:	
At 1 April 2014	263
Additions	397
Disposals	(188)
At 31 March 2015	<u>472</u>
Accumulated depreciation:	
At 1 April 2014	59
Charge for the year	92
Written back on disposals	(47)
At 31 March 2015	<u>104</u>
Net book value:	
At 31 March 2015	<u><u>368</u></u>
Cost:	
At 1 April 2015	472
Additions	555
At 31 March 2016	<u>1,027</u>
Accumulated depreciation:	
At 1 April 2015	104
Charge for the year	134
At 31 March 2016	<u>238</u>
Net book value:	
At 31 March 2016	<u><u>789</u></u>

	Motor vehicles, office equipment and other equipment <i>RMB'000</i>
Cost:	
At 1 April 2016	1,027
Additions	40
At 31 March 2017	<u>1,067</u>

Accumulated depreciation:	
At 1 April 2016	238
Charge for the year	230
At 31 March 2017	<u>468</u>

Net book value:	
At 31 March 2017	<u>599</u>
	=====
Cost:	
At 1 April 2017	1,067
Additions	374
At 31 August 2017	<u>1,441</u>

Accumulated depreciation:	
At 1 April 2017	468
Charge for the period	106
At 31 August 2017	<u>574</u>

Net book value:	
At 31 August 2017	<u>867</u>
	=====

12 INTANGIBLE ASSETS

The Group

	Software and patents <i>RMB'000</i>
Cost:	
At 1 April 2014	47,336
Additions	2,271
Disposals (<i>Note (i)</i>)	(46,814)
At 31 March 2015	2,793

Accumulated amortisation:	
At 1 April 2014	137
Charge for the year	416
At 31 March 2015	553

Net book value:	
At 31 March 2015	2,240
	=====
Cost:	
At 1 April 2015	2,793
Additions	2,377
At 31 March 2016	5,170

Accumulated amortisation:	
At 1 April 2015	553
Charge for the year	796
At 31 March 2016	1,349

Net book value:	
At 31 March 2016	3,821
	=====

	Software and patents <i>RMB'000</i>
Cost:	
At 1 April 2016	5,170
Additions	3,528
At 31 March 2017	8,698
Accumulated amortisation:	
At 1 April 2016	1,349
Charge for the year	1,387
At 31 March 2017	2,736
Net book value:	
At 31 March 2017	5,962
Cost:	
At 1 April 2017	8,698
Additions	1,669
At 31 August 2017	10,367
Accumulated amortisation:	
At 1 April 2017	2,736
Charge for the period	794
At 31 August 2017	3,530
Net book value:	
At 31 August 2017	6,837

Note (i): These software and patents were not related to the Group's principal activities in the design, implementation, enhancement and upgrades of software systems and the provision of technical services. In a view to streamline the Group's business, these items were disposed of to Beijing Aipu Zhicheng Internet Technology Company Limited ("Aipu Zhicheng"), another company owned by the Founding Shareholders and a related party, during the year ended 31 March 2015 at a consideration of RMB46,814,000, which represented their fair values. Accordingly, no gain or loss on disposals was recognised in the consolidated statement of profit or loss for the year ended 31 March 2015.

The amortisation charges are included in "cost of sales" in the consolidated statements of profit or loss.

13 INVESTMENT IN A SUBSIDIARY/AMOUNTS DUE FROM A SUBSIDIARY

The Company

	<u>At 31 March</u>	<u>At 31 August</u>
	2017	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Investment, at cost	—	—
Non-current amounts due from a subsidiary (<i>Note (i)</i>)	<u>26,634</u>	<u>25,421</u>

Note (i): The non-current amounts due from a subsidiary are unsecured, non-interest bearing and have no fixed terms of repayment.

14 INVENTORIES

The Group

	<u>At 31 March</u>			<u>At</u>
	2015	2016	2017	31 August
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Software systems under development	<u>1,851</u>	<u>3,442</u>	<u>6,577</u>	<u>5,561</u>

The analysis of the amounts of inventories recognised as expenses as follows:

	<u>Years ended 31 March</u>			<u>Five months ended</u>	
	2015	2016	2017	31 August	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Cost of inventories sold	<u>24,602</u>	<u>27,845</u>	<u>47,121</u>	<u>11,185</u>	<u>13,938</u>

15 TRADE AND BILL RECEIVABLES

The Group

	At 31 March			At
	2015	2016	2017	31 August
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Trade receivables	45,070	23,614	35,484	33,406
Bill receivables	462	—	900	1,000
	45,532	23,614	36,384	34,406
Gross amount due from customers for contract work	18,343	14,047	33,272	25,160
	63,875	37,661	69,656	59,566

All of the trade and bill receivables are expected to be recovered within one year, except for retention receivables of RMB716,000, RMB1,267,000, RMB2,343,000 and RMB1,762,000 at 31 March 2015, 2016 and 2017 and 31 August 2017, respectively, which are expected to be recovered in more than one year.

(a) Ageing analysis

The ageing analysis of trade and bill receivables (excluding the gross amount due from customers for contract work), based on the invoice date and net of allowance for doubtful debts (if any), of the Group is as follows:

	At 31 March			At
	2015	2016	2017	31 August
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Less than 1 year	21,117	18,244	28,263	22,410
1 to 2 years	7,801	1,417	6,955	10,001
2 to 3 years	16,297	3,953	230	1,059
Over 3 years	317	—	936	936
	45,532	23,614	36,384	34,406

Further details on the Group's credit policy is set out in Note 23(a).

(b) Impairment of trade and bill receivables

Impairment losses in respect of trade and bill receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bill receivables directly (Note 2(g)). The management consider the balance of trade and bill receivables at the end of each reporting period is fully recoverable.

(c) Trade and bill receivables that are not impaired

The ageing analysis of trade and bill receivables that are neither individually nor collectively considered to be impaired are as follows:

	At 31 March			At 31 August
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2017 <i>RMB'000</i>
Neither past due nor impaired	35,158	23,397	47,143	40,312
Less than 1 year past due	4,660	9,332	17,626	10,527
1 to 2 years past due	7,512	1,347	3,831	7,530
2 to 3 years past due	16,376	3,585	908	261
Over 3 years past due	169	—	148	936
	28,717	14,264	22,513	19,254
	63,875	37,661	69,656	59,566

Receivables that were neither past due nor impaired relate to power grid and distribution companies for whom there was no recent history of default.

Receivables that were past due but not impaired relate to power grid and distribution companies that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(d) Retention receivables

At 31 March 2015, 2016 and 2017 and 31 August 2017, included in trade receivables are retention receivables in respect of project contracts of RMB2,825,000, RMB7,282,000 and RMB8,738,000 and RMB10,093,000, respectively.

(e) Project contracts in progress

At 31 March 2015, 2016 and 2017 and 31 August 2017, the aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from customers for contract work, are RMB59,073,000, RMB58,446,000 and RMB107,852,000 and RMB152,140,000 respectively.

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	At 31 March			At
	2015	2016	2017	31 August
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Amounts due from related parties (Note 25(c))	50,767	55,179	—	—
Prepayments for costs incurred in connection with the proposed initial listing of the Company's shares (Note (i))	—	—	4,964	5,331
Prepayments for miscellaneous expenses	606	887	1,269	1,214
Staff advances and other deposits	1,559	1,620	1,108	2,904
VAT refundable	137	—	2,861	558
Others	279	330	504	603
	<u>53,348</u>	<u>58,016</u>	<u>10,706</u>	<u>10,610</u>

Note (i): The balance at 31 March 2017 and 31 August 2017 will either be recognised as expenses or transferred to the Company's share premium account within equity upon the listing of the Company's shares on the Stock Exchange.

17 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

	At 31 March			At
	2015	2016	2017	31 August
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Cash at bank and on hand	<u>3,545</u>	<u>7,307</u>	<u>35,411</u>	<u>46,864</u>

The Group's operations in the PRC (excluding Hong Kong) are conducted in RMB. RMB is not a freely convertible currency and the remittance of RMB out of the PRC (excluding Hong Kong) is subject to the relevant rules and regulations of the foreign exchange controls promulgated by the PRC government.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Borrowings RMB'000 (Note 18)	Payables for interest expenses RMB'000	Net amount due (from)/to related parties RMB'000 (Notes 16 & 20)	Distributions payable of a subsidiary RMB'000 (Note 20)	Total RMB'000
At 1 April 2014	15,000	65	(20,000)	—	(4,935)
Changes from financing cash flows:					
Proceeds from new borrowings	15,000	—	—	—	15,000
Repayment of borrowings	(15,000)	—	—	—	(15,000)
Net increase in advances due from related parties	—	—	(4,353)	—	(4,353)
Interest paid	—	(1,224)	—	—	(1,224)
Total changes from financing cash flows	—	(1,224)	(4,353)	—	(5,577)
Other changes:					
Finance costs (Note 6(a))	—	1,159	—	—	1,159
Distributions declared (Note 22(c))	—	—	—	65,455	65,455
Disposal of software and patents (Note 12(i))	—	—	(46,814)	—	(46,814)
Non-cash transactions (Note (i))	—	—	20,400	(20,400)	—
Total other changes	—	1,159	(26,414)	45,055	19,800
At 31 March 2015	15,000	—	(50,767)	45,055	9,288
At 1 April 2015	15,000	—	(50,767)	45,055	9,288
Changes from financing cash flows:					
Repayment of borrowings	(15,000)	—	—	—	(15,000)
Net decrease in advances due from related parties	—	—	2,388	—	2,388
Interest paid	—	(503)	—	—	(503)
Distributions paid by a subsidiary	—	—	—	(30,000)	(30,000)
Total changes from financing cash flows	(15,000)	(503)	2,388	(30,000)	(43,115)
Other changes:					
Finance costs (Note 6(a))	—	503	—	—	503
Distributions declared (Note 22(c))	—	—	—	12,504	12,504
Total other changes	—	503	—	12,504	13,007
At 31 March 2016	—	—	(48,379)	27,559	(20,820)

	Borrowings RMB'000 (Note18)	Payables for interest expenses RMB'000	Net amount due (from)/to related parties RMB'000 (Notes 16 & 20)	Distributions payable of a subsidiary RMB'000 (Note 20)	Total RMB'000
At 1 April 2016	—	—	(48,379)	27,559	(20,820)
Changes from financing cash flows:					
Net decrease in advances due from related parties	—	—	21,767	—	21,767
Total changes from financing cash flows	—	—	21,767	—	21,767
Other changes:					
Non-cash transactions (Note (i))	—	—	27,559	(27,559)	—
Total other changes	—	—	27,559	(27,559)	—
At 31 March 2017 and 31 August 2017	—	—	947	—	947
At 1 April 2016	—	—	(48,379)	27,559	(20,820)
Changes from financing cash flows (unaudited):					
Net increase in advances due from related parties	—	—	(280)	—	(280)
Total changes from financing cash flows (unaudited)	—	—	(280)	—	(280)
Other changes (unaudited):					
Non-cash transactions (Note (i))	—	—	27,559	(27,559)	—
Payable arising from acquisition of Along Grid	—	—	52,000	—	52,000
Total other changes (unaudited)	—	—	79,559	(27,559)	52,000
At 31 August 2016 (unaudited)	—	—	30,900	—	30,900

Note:

- (i) Non-cash transactions

Distributions payable of a subsidiary of RMB20,400,000, RMBNil and RMB27,559,000, RMB27,559,000 (unaudited) and RMBNil were used to set off the amount due from related parties as at 31 March 2015, 2016 and 2017 and 31 August 2016 (unaudited) and 2017, respectively.

18 BORROWINGS

The Group

	At 31 March			At
	2015	2016	2017	31 August
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Unsecured and unguaranteed short-term bank loans	15,000	—	—	—

The borrowings at 31 March 2015 were repayable within one year.

19 TRADE PAYABLES

The Group

	At 31 March			At
	2015	2016	2017	31 August
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Trade payables to:				
— related parties (<i>Note 25(c)</i>)	1,087	1,402	—	—
— third parties	1,507	1,058	2,917	1,577
	2,594	2,460	2,917	1,577

All of the trade payables are expected to be settled within one year or are repayable on demand.

The ageing analysis of the Group's trade payables, based on the invoice date, is as follows:

	At 31 March			At
	2015	2016	2017	31 August
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Less than 1 year	1,858	974	2,503	1,165
1 to 2 years	41	750	259	211
2 to 3 years	14	41	54	46
Over 3 years	681	695	101	155
	2,594	2,460	2,917	1,577

20 OTHER PAYABLES AND ACCRUALS

The Group

	At 31 March			At
				31 August
	2015	2016	2017	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to related parties (Note 25(c))	—	6,800	947	947
Payables for staff related costs	1,139	331	2,206	2,124
Distributions payable of a subsidiary (Notes 22(c) and 25(c))	45,055	27,559	—	—
Other taxes payables	1,902	1,962	4,556	975
Others	657	1,371	479	686
	<u>48,753</u>	<u>38,023</u>	<u>8,188</u>	<u>4,732</u>

21 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Income tax (recoverable)/payable in the consolidated statements of financial position represent:

The Group

	At 31 March			At
				31 August
	2015	2016	2017	2017
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	(93)	3,854	5,616	7,699
Provision for the year/period (Note 7(a))	3,950	3,220	3,843	1,362
Income tax paid	(3)	(1,458)	(1,760)	(83)
At the end of the year/period	<u>3,854</u>	<u>5,616</u>	<u>7,699</u>	<u>8,978</u>

(b) Deferred tax liabilities recognised:*(i) Movements of deferred tax liabilities***The Group**

The deferred tax liabilities recognised in the consolidated statements of financial position and the movements throughout the Track Record Period are as follows:

	Capitalisation of intangible assets and subsequent amortisation <i>RMB'000</i>
Deferred tax arising from:	
At 1 April 2014	2,206
Credited to the consolidated statement of profit or loss (<i>Note 7(a)</i>)	<u>(1,880)</u>
At 1 April 2015	326
Charged to the consolidated statement of profit or loss (<i>Note 7(a)</i>)	<u>247</u>
At 1 April 2016	573
Credited to the consolidated statement of profit or loss (<i>Note 7(a)</i>)	<u>(155)</u>
At 1 April 2017	418
Credited to the consolidated statement of profit or loss (<i>Note 7(a)</i>)	<u>(109)</u>
At 31 August 2017	<u><u>309</u></u>

(ii) Deferred tax liabilities not recognised

At 31 August 2017, temporary differences relating to the retained profits of the subsidiary of the Group established in the PRC (excluding Hong Kong) amounted to RMB38,136,000 of which no deferred tax liabilities in respect of the tax that would be payable on the distribution of these profits was provided as the Company controls the dividend policy of this subsidiary and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

22 CAPITAL, RESERVES AND DISTRIBUTIONS**(a) Movements in components of equity**

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity.

Details of the changes of the Company's individual components of equity are set out below:

	Share capital	Share premium	Exchange reserve	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Note 22(b))</i>	<i>(Note 22(d)(i))</i>	<i>(Note 22(d)(iv))</i>	
At 5 July 2016 (date of incorporation)	—	—	—	—
Changes in equity for the period from 5 July 2016 (date of incorporation) to 31 March 2017:				
Total comprehensive income for the period	—	—	887	887
Issuance of shares <i>(Note 22(b))</i>	—	25,747	—	25,747
At 1 April 2017	—	25,747	887	26,634
Changes in equity for the five months period ended 31 August 2017:				
Total comprehensive income for the period	—	—	(1,213)	(1,213)
At 31 August 2017	—	25,747	(326)	25,421

(b) Share capital

For the purpose of the Historical Financial Information, the paid-in capital of Along Grid, the operating subsidiary of the Group, of RMB50,000,000 was included in "other reserves" within equity as at 1 April 2014, 31 March 2015 and 31 March 2016. The share capital of the Group as at 31 March 2017 and 31 August 2017 represented the issued and paid-up capital of the Company, comprising 11,878 shares at HK\$0.01 each, which is further explained below.

The Company was incorporated as an exempted company under the laws of the Cayman Islands with limited liability on 5 July 2016 with authorised share capital of HK\$10,000,000 divided into 1,000,000,000 shares of HK\$0.01 each. On 5 July 2016 and 15 July 2016, the Company issued and allotted/transferred 2,500 shares and 7,500 shares, respectively, at par value for cash to Smart East Limited, Union Sino Holdings Limited, Main Wealth Development Limited and Long Eagle International Limited, which are companies owned by the Founding Shareholders. The proceeds of HK\$100 (equivalent to approximately RMB86) were credited to the Company's share capital account.

On 7 September 2016, an additional 1,878 of the Company's shares were issued and allotted to Chance Talent Management Limited at a consideration of HK\$30,000,000 (equivalent to approximately RMB25,747,000). Of the proceeds received, HK\$19 (equivalent to approximately RMB16) was credited to the Company's share capital account, and the remaining HK\$29,999,981 (equivalent to approximately RMB25,746,984) were credited to the Company's share premium account.

(c) Distributions

During the Track Record Period, the Group made the following distributions to its equity holder:

	Years ended 31 March			Five months ended 31 August	
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i> (unaudited)	2017 <i>RMB'000</i>
Distributions	65,455	12,504	—	—	—

The directors of the Company consider that the distributions made during the Track Record Period are not indicative of the future dividend policy of the Company and the Group. The Company did not declare any dividends to the equity shareholders of the Company during the Track Record Period.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 34 of the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time.

(ii) Other reserves

The other reserves at 1 April 2014, 31 March 2015 and 31 March 2016 represented the paid-in capital of Along Grid of RMB50,000,000.

Pursuant to the Reorganisation completed on 5 August 2016, the Company, via a wholly-owned subsidiary, acquired the 100% equity interests in Along Grid for a consideration of RMB52,000,000. The Company became the holding company of the companies now comprising the Group and accordingly, the paid-in capital of Along Grid was eliminated when preparing the Historical Financial Information since that date.

From May 2016 to March 2017, the Founding Shareholders contributed HK\$60,089,000 (equivalent to approximately RMB54,609,000) in cash to Citimax Development, of which HK\$36,000,000 (equivalent to approximately RMB31,499,000) were contributed during the five months ended 31 August 2016. The contributions were credited to other reserves.

(iii) Statutory reserves

In accordance with the relevant PRC laws and regulations, the Company's subsidiary established in Mainland China is required to transfer 10% of its net profit to the statutory reserves until the reserve reaches 50% of the registered capital. The transfer to this reserve must be made before distributions to equity holders. This reserve can be utilised in setting off accumulated losses or increase capital of the subsidiary and is non-distributable other than in liquidation.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(r).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and bill receivables. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. For project contracts, the Group generally requires customers to settle billings in accordance with contracted terms, whereas for sales of goods and provision of services, the Group generally requires customers to settle immediately after the completion of the related transactions.

Credit terms of 30 to 120 days may be granted to certain customers for progress billings. Credit terms of one to three years may be granted to customers for retention receivables. Normally, the Group does not obtain collateral from customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 March 2015, 2016 and 2017 and 31 August 2017, 45%, 42%, 61% and 52% of the trade receivables were due from the Group's largest debtor, and 99%, 96%, 98% and 99% of the trade receivables were due from the Group's five largest debtors.

The Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and bill receivables are set out in Note 15.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the end of each reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest dates the Group can be required to pay:

	At 31 March 2015		At 31 March 2016		At 31 March 2017		At 31 August 2017	
	Contractual undiscounted cash flow within 1 year or on demand RMB'000	Carrying amount RMB'000	Contractual undiscounted cash flow within 1 year or on demand RMB'000	Carrying amount RMB'000	Contractual undiscounted cash flow within 1 year or on demand RMB'000	Carrying amount RMB'000	Contractual undiscounted cash flow within 1 year or on demand RMB'000	Carrying amount RMB'000
Borrowings	15,472	15,000	—	—	—	—	—	—
Trade payables	2,594	2,594	2,460	2,460	2,917	2,917	1,577	1,577
Other payables and accruals	48,753	48,753	38,023	38,023	8,188	8,188	4,732	4,732
	<u>66,819</u>	<u>66,347</u>	<u>40,483</u>	<u>40,483</u>	<u>11,105</u>	<u>11,105</u>	<u>6,309</u>	<u>6,309</u>

(c) Interest rate risk

The Group's interest rate risk is primarily attributable to borrowings. Borrowings at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

The following table details the interest rate profile of the Group's total borrowings at the end of each reporting period:

	At 31 March 2015		At 31 March 2016		At 31 March 2017		At 31 August 2017	
	Effective interest rate		Effective interest rate		Effective interest rate		Effective interest rate	
	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000
Fixed rate borrowings	7.20%	<u>15,000</u>	N/A	<u>—</u>	N/A	<u>—</u>	N/A	<u>—</u>

The Group is not exposed to significant cash flow interest rate risk at 31 March 2015, 2016 and 2017 and 31 August 2017.

(d) Fair value measurement***Fair values of financial instruments carried at other than fair value***

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2015, 2016 and 2017 and 31 August 2017.

24 OPERATING LEASE COMMITMENTS

At the respective reporting period end dates, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 March			At 31 August
	2015	2016	2017	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	2,493	2,522	1,676	670
After 1 year but within 2 years	<u>—</u>	<u>1,297</u>	<u>—</u>	<u>—</u>
	<u>2,493</u>	<u>3,819</u>	<u>1,676</u>	<u>670</u>

The Group leases certain office premises through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals.

25 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Years ended 31 March			Five months ended 31 August	
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000
Short-term employee benefits	2,218	2,318	2,605	794	1,304
Contributions to defined contribution retirement scheme	202	230	224	89	121
	<u>2,420</u>	<u>2,548</u>	<u>2,829</u>	<u>883</u>	<u>1,425</u>

Total remuneration is included in "staff costs" (Note 6(b)).

(b) Transactions with equity shareholders of the Company and their affiliates during the Track Record Period

	Years ended 31 March			Five months ended 31 August	
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000
Technical support services received	333	—	—	—	—
Purchase of goods	290	269	—	—	—
Disposal of software and patents (Note 12(i))	46,814	—	—	—	—
Disposal of an associate	400	—	—	—	—
Disposal of property, plant and equipment	141	—	—	—	—
Cash contributions (Note 22(d)(ii))	—	—	54,609	31,499	—
Net (decrease)/increase in non-interest bearing advances granted	<u>(16,047)</u>	<u>(2,388)</u>	<u>49,326</u>	<u>79,280</u>	<u>—</u>

The directors of the Company do not expect the above transactions to be continued after the listing of the Company's shares on the Stock Exchange.

(c) Balances with equity shareholders of the Company and their affiliates

The Group's balances with equity shareholders and their affiliates as at the end of each reporting period are as follows:

	At 31 March			At 31 August
	2015	2016	2017	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Included in:				
Prepayments, deposits and other receivables (<i>Note 16</i>):				
— Beijing Aige Reide Technology Company Limited (“ Aige Reide ”)	1,200	—	—	—
— Aipu Zhicheng*	49,567	55,179	—	—
	50,767	55,179	—	—
Trade payables (<i>Note 19</i>):				
— Aige Reide	748	748	—	—
— Aipu Zhicheng	339	654	—	—
	1,087	1,402	—	—
Other payables (<i>Note 20</i>):				
— Aige Reide*	—	6,800	947	947
Distributions payables (<i>Note 20</i>):				
— Aige Reide*	45,055	27,559	—	—

* Balances with these related parties at the end of each reporting period are/were non-trade in nature.

Balances with related parties are unsecured, non-interest bearing and have no fixed terms of repayment. The Founding Shareholders have undertaken to repay the amounts due to the Group that are non-trade in nature prior to the listing of the Company's shares on the Stock Exchange. At the same time, the Group has undertaken to settle the amounts due to related parties that are non-trade in nature prior to the listing of the Company's shares on the Stock Exchange.

26 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING ON 1 APRIL 2017

Up to date of issue of the Historical Financial Information, the IASB has issued a number of amendments and new standards which are not yet effective for the accounting period beginning on 1 April 2017 and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to the Group.

	<i>Effective for accounting periods beginning on or after</i>
<i>Annual Improvement to IFRSs 2014-2016 cycle</i>	1 January 2018
<i>IFRS 15, Revenue from contracts with customers</i>	1 January 2018
<i>IFRS 9, Financial instruments</i>	1 January 2018
<i>IFRIC 22, Foreign currency transactions and advance consideration</i>	1 January 2018
<i>IFRS 16, Leases</i>	1 January 2019
<i>IFRIC 23, Uncertainty over income tax treatments</i>	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below.

IFRS 9, Financial instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, *Financial instruments: Recognition and measurement*. IFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's consolidated financial statements are as follows:

Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. Based on a preliminary assessment, the Group expects the accumulated impairment loss provision will not materially change.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts. Based on the assessment completed to date, the Group has identified the following area which is likely to be affected:

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in Note 2(q). Currently, revenue arising from the sales of software systems and the provision of technical services is recognised over time, whereas revenue from the sales of hardware is generally recognised when the risks and rewards of ownership have passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

- (a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- (b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- (c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group is involved in sale of software systems, as well as performing related services. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services. Revenue is currently recognised using the percentage-of-completion method.

Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Group sells the services in separate transactions.

The Group has performed comparison of the fair value and the stand-alone selling prices of the services. Since these amounts are broadly similar, the Group does not expect significant differences in the timing of revenue recognition for these services.

(b) Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers. Currently, the Group does not apply such a policy when payments are received in advance. Advance payments are not common in the Group's arrangements with its customers.

The Group plans to elect to use the cumulative effect transition method for the adoption of IFRS 15 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2018. As allowed by IFRS 15, the Group plans to apply the new requirements only to contracts that are not completed before 1 April 2018. Since the number of "open" contracts for sales of software systems and the provision of technical services at 31 August 2017 is limited, the Group expects that the transition adjustment to be made upon the initial adoption of IFRS 15 will not be material. The expected changes in accounting policies as described above will not have a material impact on the Group's financial results from the year ending 31 March 2019 onwards.

IFRS 16, Leases

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 replaces existing leases guidance including IAS 17, *Leases*, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC-15 *Operating leases — Incentives* and SIC-27, *Evaluating the substance of transactions involving the legal form of a lease*.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for property which are currently classified as operating leases. As disclosed in Note 24, at 31 August 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB670,000 for certain office premises, all of which is payable within 1 year after the reporting date. The adoption of IFRS 16 is unlikely to have a significant impact on the Group's financial statements.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

The Group has started an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of office premises. In addition, the nature of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Group has not yet decided whether it will use the optional exemptions.

27 SUBSEQUENT EVENTS

Capitalisation issue

Pursuant to the resolutions of the Company's shareholders passed on 5 February 2018, subject to the share premium account of the Company being credited as a result of the share offer, the directors of the Company are authorised to allot and issued a total of 285,060,122 shares credited as fully paid at par to shareholders in proportion to their respective shareholdings by way of capitalisation of the sum of HK\$2,850,601 standing to the credit of the share premium account of the Company. The capitalisation issue will not become effective until the listing of the Company's shares on the Stock Exchange.

28 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 31 August 2017.

The following information does not form part of the Accountants' Report from KPMG, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of our Company as of 31 August 2017 as if the Global Offering had taken place on 31 August 2017.

The unaudited pro forma statement of adjusted 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 financial position of the Group had the Global Offering been completed as at 31 August 2017 or at any future date.

	Consolidated net tangible assets attributable to the equity shareholders of the Company as of 31 August 2017 ⁽¹⁾ RMB'000	Estimated net proceeds from the Global Offering ⁽²⁾ RMB'000	Unaudited pro forma adjusted net tangible assets RMB'000	Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾ RMB ⁽⁴⁾ HK\$ ⁽⁴⁾	
Based on an Offer Price of HK\$0.72 per Share	107,872	43,143	151,015	0.40	0.47
Based on an Offer Price of HK\$0.96 per Share	107,872	61,753	169,625	0.45	0.53

Notes:

- (1) The consolidated net tangible assets attributable to equity shareholders of the Company as of 31 August 2017 is compiled based on the consolidated statements of financial position included in the Accountants' Report set out in Appendix I to this Prospectus, which is based on the consolidated total equity of the Company as of 31 August 2017 of RMB114,709,000 after deducting intangible assets of RMB6,837,000.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK\$0.72 and HK\$0.96 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. The estimated net proceeds of the Global Offering have been converted to Renminbi at the PBOC rate of HK\$1.0000 to RMB0.8436 prevailing on 31 August 2017.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by 381,072,000 Shares, being the number of shares expected to be in issue immediately following the completion of the Global Offering.
- (4) The unaudited pro forma adjusted net tangible assets per Share amounts in RMB are converted to Hong Kong dollar with the PBOC rate of RMB0.8436 to HK\$1.0000 prevailing on 31 August 2017.
- (5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 August 2017.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF ONEFORCE HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of OneForce Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 31 August 2017 and related notes as set out in Part A of Appendix II to the prospectus dated 12 February 2018 (the "**Prospectus**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "**Global Offering**") on the Group's financial position as at 31 August 2017 as if the Global Offering had taken place at 31 August 2017. As part of this process, information about the Group's financial position as at 31 August 2017 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the 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 behavior.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” 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 Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 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 (“HKSAAE”) 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 accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the 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 purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the 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 pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group 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 events or transactions as at 31 August 2017 would have been as presented.

A reasonable assurance engagement to report on whether the 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 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 pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future plans and use of proceeds" in the Prospectus.

Opinion

In our opinion:

- a) the pro forma financial information has been properly compiled 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 pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

12 February 2018

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

1. MEMORANDUM OF ASSOCIATION

The Memorandum provides that our Company's objects are unrestricted. The objects of our Company are set out in Clause 3 of the Memorandum which is available for inspection at the address and during the period specified in the paragraph headed "Documents available for inspection" specified in Appendix V to this Prospectus. As an exempted company, 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.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 5 February 2018 and will take effect upon Listing. The following is a summary of certain provisions of the Articles.

(a) Directors

(i) Power to allot and issue shares

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as our Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Directors may determine) and any preference shares may be issued on terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of our Company or at the option of the holder. The Directors may issue warrants to subscribe for any class of shares or securities of our Company on such terms as they may from time to time determine.

All unissued shares in our Company shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) Power to dispose of the assets of our Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries although the Directors may 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 relevant statutes of the Cayman Islands to be exercised or done by our Company in general meeting.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
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(iii) Compensation or payments for loss of office

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.

(iv) Loans and the giving of security for loans to Directors

Where the shares of our Company remain listed on the Stock Exchange or on a stock exchange in such other territory as the Directors may from time to time decide, our Company may not make, without the approval of, or ratification by, our Company in general meeting, any loans to, or provide any guarantee, indemnity or security in respect of any loan to a Director or any of his associates, provided that the Articles do not prohibit the granting of any loan or the provision of any guarantee, indemnity or security (i) to be applied for, or in respect of a liability incurred for any business of our Company, (ii) for the purchase by a Director (or the repayment of a loan for his purchase) of a residence where the amount of the loan, the liability under the guarantee or indemnity or the value of the security does not exceed 80 per cent. of the fair market value of such residence nor 5 per cent. of the consolidated net asset value of our Company as shown in its latest audited accounts; provided that any such loan is on normal commercial terms and is secured by a legal charge over the residence; or, (iii) of any amount to, or in respect of a liability of, a company in which our Company has an equity interest, and the amount of such loan, or the liability assumed by our Company under such guarantee, indemnity or security, does not exceed its proportional interest in such company.

(v) Financial assistance to purchase shares of our Company or its holdings company

There are no provisions in the Articles relating to the giving by our Company of financial assistance for the purchase, subscription or other acquisition of shares of our Company or of its holding company. The law on this area is summarised in paragraph 4(b) below.

(vi) 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 an auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine. A Director may be or become a director or other officer of, or be 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, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Directors 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 they think 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

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
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company. A Director shall not vote or be counted in the quorum on any resolution of the Directors concerning his own appointment or the appointment of any of his associates as the holder of any office or place of profit with our Company or any other company in which our Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Articles, 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 will any contract with regard thereto 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. If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company, he must declare the nature of his or, as the case may be, his associate(s)' interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associates then exists, or in any other case at the first meeting of the Directors after he knows that he or his associate(s) is or has become so interested.

Save as otherwise provided by the Articles, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which he or any of his close associate(s) (as defined in the Articles) is to his knowledge materially interested, and if he does so his vote will not be counted, but this prohibition will not apply to any of the following matters, namely:

- (aa) any contract or arrangement for the giving to the Director or his close associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of our Company;
- (bb) any contract or arrangement for the giving by our Company of any security to a third party in respect of a debt or obligation of our Company or any company in which our Company has an interest for which the Director or his close associate(s) has himself/themselves guaranteed or secured in whole or in part;
- (cc) any contract or arrangement by a Director or his close associate(s) to subscribe for shares or debentures or other securities of our Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director and his close associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;

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- (dd) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by our Company 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 and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested by virtue only of his/their interest in shares or debentures or other securities of our Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;
- (ff) any proposal or arrangement for the benefit of employees of our Company or its subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his close associate(s) and employees of our Company or of any of its subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, close associate(s) of Directors and employees of our Company or any of its subsidiaries and does not give the Director or his close associate(s) any privilege not accorded to the relevant class of officers of which the Director is a member and to whom such scheme or fund relates;
- (gg) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by our Company to, or for the benefit of, the employees of our Company or its subsidiaries under which the Director or his close associate(s) may benefit; and
- (hh) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his close associate(s), officer or employee pursuant to the Articles.

(vii) Remuneration

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time determined by our Company in general meeting, 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 they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in our Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses

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of travelling to and from Directors' meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of our Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who performs any special or extra services to or at the request of our Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of our Company may be fixed from time to time by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

The Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of our Company, or of any company which is a subsidiary of our Company, or is allied or associated with our Company or with any such subsidiary company, or who are or were at any time directors or officers of our Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in our Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) Retirement, appointment and removal

At each annual general meeting, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

A Director is not required to retire upon reaching any particular age.

The Directors are entitled to attend and speak at all general meetings.

The number of Directors shall not be fewer than one. A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of

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service between him and the Company). Subject to the statutes and the provisions of the Articles, our Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, the Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election at the meeting.

The Directors may from time to time entrust to and confer upon the chairman, deputy chairman, managing director, joint managing director, deputy managing director or executive director of our Company all or any of the powers of the Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Directors may from time to time make and impose. The Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they 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 shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Directors.

(ix) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of our Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of our Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Companies Law, by the issue of debentures, debenture stock, bonds or 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.

Note: The provisions summarised above, in common with the Articles in general, may be varied with the sanction of a special resolution of our Company.

(x) Qualification shares

Directors of our Company are not required under the Articles to hold any qualification shares.

(xi) Indemnity to Directors

The Articles contain provisions that provide indemnity to, among other persons, the Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

(b) Alterations to constitutive documents

The memorandum of association of our Company may be altered by our Company in general meeting. The Articles may also be amended by our Company in general meeting. As more fully described in paragraph 3 below, the Articles provide that, subject to certain exceptions, a special resolution is required to alter the memorandum of association, to approve any alteration to the Articles and to change the name of our Company.

(c) Alterations of capital

Our Company may from time to time by ordinary resolution:

- (i) increase its share capital;
- (ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to our Company for our Company's benefit;
- (iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;
- (v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the memorandum of association, subject nevertheless to the Companies Law, and so that the resolution whereby any shares are sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares;
- (vi) change the currency of denomination of its share capital; and
- (vii) make provision for the issue and allotment of shares which do not carry any voting rights.

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Our Company may by special resolution reduce its issued share capital, any capital redemption reserve fund or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law. Our Company may apply its share premium account in any manner permitted by law.

(d) Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate 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, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

(e) Special resolutions — majority required

For so long as any part of the issued capital of our Company remains listed on the Stock Exchange, a special 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 respective duly authorised representatives, or by proxy, at a general meeting of which notice has been duly given in accordance with the Article 2(i) below for further details.

(f) Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments is treated for the foregoing purposes as paid on the share). So long as the shares are listed on the Stock Exchange, where any member is, under the Listing Rules (as defined in the Articles), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may in good faith, 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 authorized 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.

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Where a shareholder is a clearing house (as defined in the Articles) or a nominee of a clearing house, it may authorise such persons as it thinks fit to act as its representatives at any meeting of our Company or at any meeting of any class of shareholders provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of the Articles shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of our Company held by the clearing house (or its nominees) in respect of the number and class of shares specified in the relevant authorisation including, where a show of hands is allowed, the right to vote individually on a show of hands.

(g) Requirements for annual general meetings

For so long as any part of the issued capital of our Company remains listed on the Stock Exchange, an annual general meeting must be held once in every year and within not more than 15 months after the last preceding annual general meeting or such longer period as is permissible or not prohibited under the rules of the Stock Exchange on which any securities of our Company are listed with the permission of our Company.

(h) Accounts and audit

The Directors 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 receipts and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by law or are necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions.

The books of accounts are to be kept at the principal office of our Company or at such other place as the Directors think fit and shall always be open to the inspection of the Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of our Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Directors or by our Company in general meeting. However, an exempted company shall 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 Law of the Cayman Islands.

The Directors shall from time to time cause to be prepared and laid before our Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports and so long as any shares in our Company are listed on the Stock Exchange, the accounts of our Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong or the International Financial Reporting Standards or such other standards as the Stock Exchange may permit. Every balance sheet of our Company shall be signed on behalf of the Directors by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before our Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting, be sent to every member of, and every holder of debentures of, our Company and every other person

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entitled to receive notices of general meetings of our Company under the Companies Law or of the Articles. Subject to due compliance with the Companies Law and the rules of the Stock Exchange, and to obtaining all necessary consents, if any, required thereunder and such consents being in full force and effect, such requirements shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Companies Law and instead of such copies, a summary financial statement derived from our Company's annual financial statements and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of our Company and the directors' report thereon may, if he so requires by notice in writing served on our Company, demand that our Company sends to him, in addition to a summary financial statement, a complete printed copy of our Company's annual financial statement and the directors' report thereon. If all or any of the shares or debentures of our Company are for the time being (with the consent of our Company) listed or dealt in on any stock exchange, there shall be forwarded to such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Articles. Save as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of our Company at each annual general meeting, but in respect of any particular year, our Company in general meeting may delegate the fixing of such remuneration to the Directors.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of not less than fourteen (14) clear days and not less than ten (10) clear business days. The notice shall specify the place, the day and the hour of meeting and particulars of resolutions to be considered at the meeting and, in case of special business, the general nature of that business.

(j) Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in our Company are listed on the Stock Exchange, such standard form prescribed by the Stock Exchange or in any other form acceptable to the Board and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as the Directors may approve from time to time; and an instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and 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 thereof, provided that the Directors may in their absolute discretion dispense with the requirement for the production of a transfer in writing before registering a transfer of a share, and may accept mechanically executed transfers in any case.

The Directors may, in their absolute discretion, at any time and from time to time transfer or agree to 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.

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Unless the Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office for that register.

The Directors may in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which our Company has a lien. The Directors may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If the Directors refuse to register a transfer, they must within two months after the date on which the transfer was lodged with our Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reason(s) for such refusal.

The Directors may, if applicable, decline to recognise an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they 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, on giving notice by advertisement in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as the Directors may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for our Company to purchase its own shares

The Articles provide that the power of our Company to purchase or otherwise acquire its shares is exercisable by the Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Companies Law.

(l) Power of any subsidiary to own securities in our Company

There are no provisions in the Articles relating to ownership of securities in our Company by a subsidiary.

(m) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by the Directors. Our Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid

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or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. The Directors may retain any dividends or other moneys payable on or in respect of a share upon which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

Whenever the Directors or our Company in general meeting have resolved that a dividend be paid or declared on the share capital of our Company, the Directors 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, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit.

Our Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Directors or our Company in general meeting have resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by the Directors and, upon such forfeiture, shall revert to our Company and, in the case where any of the same are securities in our Company, may be re-allotted or re-issued for such consideration as the Directors think fit.

(n) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company or a meeting of the holders of any class of shares in 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 to vote on his behalf at a general meeting of our Company or at a class meeting. At any general meeting, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy. Proxies need not be members of our Company.

A proxy shall be 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, a proxy shall be 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.

(o) Corporate representatives

A corporate member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint any person or persons as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and its representative may vote on a poll on any resolution put at such meeting.

(p) Calls on shares and forfeiture of shares

The Directors may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one 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 20 per cent. per annum as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. The Directors may, if they think fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20 per cent. per annum as the Directors may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the 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 Directors 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 moneys which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent. per annum as the Board may prescribe.

(q) Inspection of register of members

For so long as any part of the share capital is listed on the Stock Exchange, any member may inspect the principal or branch register of our Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respect as if our Company were incorporated under and is subject to the Companies Ordinance (Cap. 622) of the laws of Hong Kong.

(r) Inspection of register of Directors

There are no provisions in the Articles relating to the inspection of the register of Directors and Officers of our Company, since the register is not open to inspection (as to which see paragraph 4(k) below).

(s) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person and entitled to vote (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 convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy one-third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

(t) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of our Company under Cayman Islands company law as summarised in paragraph 4(e) below.

(u) Procedures on liquidation

A resolution for a court or voluntary winding up of our Company must be passed by way of a special resolution.

If our Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If our Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of our Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, set such value

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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 is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property 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 sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

(v) Untraceable members

Our Company may sell the shares of any member if: (i) dividends or other distributions have been declared by our Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) our Company has published an advertisement of its intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of the stock exchange on which the ordinary share capital of our Company is listed and a period of three months has elapsed since the date of the first publication of such notice; (iii) our Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) our Company has notified the stock exchange on which the ordinary share capital of our Company is listed of its intention to sell such shares. The net proceeds of any such sale will belong to our Company and upon the receipt of such net proceeds by our Company, our Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

(w) Stock

Our Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege of our Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Articles as are applicable to paid up shares shall apply to stock, and the words “share” and “shareholder” and “member” therein shall include “stock” and “stockholder”.

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(x) Other provisions

The Articles provide that, to the extent that it is not prohibited by and is in compliance with the Companies Law, if any rights attaching to any warrants which our Company may issue after the date of this prospectus shall remain exercisable and our Company does any act which would result in the subscription price under such warrants being reduced below the par value of a Share, a subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

3. VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Subject to the rights of our Company set out in paragraph 2(c) above to amend its capital by ordinary resolution, the memorandum of association of our Company may be altered by our Company by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the memorandum of association (subject as provided above) or the Articles or to change the name of our Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of our Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than 21 clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of not less than 21 clear days' notice and not less than ten (10) clear business days notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together representing not less than 95 per cent. of the total voting rights at the meeting of all the members.

4. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

- (i) in paying distributions or dividends to members;
- (ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;

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(iii) in redeeming or purchasing its shares as provided in the Companies Law; or

(iv) in writing off

(aa) the preliminary expenses of the company; or

(bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

(b) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorise the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

(c) Redemption and Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its articles of associations issue redeemable shares and, purchase its own shares, including any redeemable shares and the Companies Law 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. Purchases and redemptions may only be effected out of the profits of the company or the share premium account of the company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the

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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 shall not be treated as a member for any purpose and shall 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 shall not be voted, directly or indirectly, at any meeting of the company and shall 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 Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own subscription 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.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

(d) Dividends and distributions

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

(e) Protection of minorities

The Cayman Islands 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 wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of 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 shall be wound up.

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 the memorandum and articles of association of the company.

(f) Management

The Companies Law 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 is required, 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.

(g) Accounting and auditing requirements

The Companies Law requires a company to cause proper records of accounts 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. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(h) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(i) Taxation

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, the Company has received from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Law (2011 Revision) of the Cayman Islands, an undertaking that in the event of any change to the foregoing, the Company, for a period of 20 years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on its income or its capital gains arising in the Caymans Islands or elsewhere and that dividends of the Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

(j) Stamp duty

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

(k) Inspection of corporate records

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. 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

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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 Law of the Cayman Islands. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

(l) 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 the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(m) Winding up

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles of association expires, or the event occurs on the occurrence of which the memorandum or articles of association provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business 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. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

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In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and 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 requires at least one month's notice called by Public Notice in the Cayman Islands or otherwise as the Registrar of Companies may direct.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents delivered to the Registrars of Companies" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law 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.

FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law on 5 July 2016 with an authorised share capital of HK\$10,000,000 divided into 1,000,000,000 Shares of HK\$0.01 each. On 5 July 2016, one fully-paid Share was allotted and issued to an Independent Third Party, which was transferred at par to Smart East on the same date. Our Company also allotted and issued 2,499 fully-paid Shares to Smart East on the same date. Our Company was registered under Part 16 of the Companies Ordinance on 8 November 2016.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant laws and regulations of the Cayman Islands and our constitution which comprises the Memorandum and the Articles. A summary of the relevant Cayman Islands company law and of our Company's constitution is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company**(a) Increase in authorised share capital**

The authorised share capital of our Company was increased from HK\$10,000,000 to HK\$20,000,000 by the creation of 1,000,000,000 new Shares pursuant to a resolution passed by our Shareholders referred to in paragraph 3 below.

Our Company will offer new Shares for subscription pursuant to the Global Offering. Our Shares to be offered under the Global Offering are expected to represent not less than 25% of the enlarged issued share capital of our Company, immediately after completion of the Global Offering (without taking into account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme).

Immediately following completion of the Capitalisation Issue and Global Offering (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), our authorised share capital will be HK\$20,000,000 divided into 2,000,000,000 Shares, of which 381,072,000 Shares will be issued fully paid or credited as fully paid, and 1,618,928,000 Shares will remain unissued. Other than pursuant to the exercise of the options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this sub-paragraph and in the sub-paragraphs headed "1. Incorporation of our Company" and "3. Resolutions of our Shareholders" under the paragraph headed "Further information about our Group" this Appendix and the section headed "History and development and Reorganisation" in this prospectus, there has been no alteration in the share capital of our Company since its incorporation.

(b) *Founder shares*

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions of our Shareholders

By resolutions in writing of all of our Shareholders passed on 5 February 2018:

- (a) we conditionally approved and adopted the Articles, which will take effect upon Listing;
- (b) the authorised share capital of our Company was increased from HK\$10,000,000 to HK\$20,000,000 by the creation of 1,000,000,000 new Shares;
- (c) conditional on (aa) the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; (bb) the Offer Price having been determined; (cc) the execution and delivery of the Underwriting Agreements on or before the date as mentioned in this prospectus; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:
 - (i) the Global Offering was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the sub-paragraph headed “16. Share Option Scheme” of this Appendix, were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;
 - (iii) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise HK\$2,850,601.22 standing to the credit of the share premium account of our Company by applying that sum in paying up in full at par 285,060,122 Shares for allotment and issue to the holders of Shares whose names appear on the register of members of our Company at the close of business on 5 February 2018 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in our Company and so that our Shares be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation;

- (iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles, or upon the exercise of any options which may be granted under the Share Option Scheme or under the Capitalisation Issue or the Global Offering, Shares with an aggregate number of not exceeding the sum of (aa) 20% of the aggregate number of issued Shares immediately following completion of the Capitalisation Issue and the Global Offering; and (bb) the number of issued Shares which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by Shareholders revoking or varying the authority given to our Directors, whichever occurs first;
- (v) a general unconditional mandate was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate number of not exceeding 10% of the aggregate number of issued Shares immediately following completion of the Capitalisation Issue and the Global Offering; until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by Shareholders revoking or varying the authority given to our Directors, whichever occurs first; and
- (vi) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (iv) above to include the number of Shares which may be purchased or repurchased pursuant to paragraph (v) above; and
- (d) the form and substance of each of the service agreements made between our executive Directors and our Company, and the form and substance of each of the appointment letters made between each of our independent non-executive Directors and our Company were approved.

4. Subsidiaries of our Company

(a) *First Magic*

On 9 June 2015, First Magic was incorporated in the BVI and was authorised to issue 50,000 shares of US\$1.00 each. On 9 June 2015, one share of US\$1.00 was allotted and issued to Mr. Wang. As at 9 June 2015, the shareholding structure of First Magic was set out below:

Name of shareholder	Number of share(s)	%
Mr. Wang	1	100
Total:	<u>1</u>	<u>100</u>

On 5 April 2016, Mr. Wang transferred the one share of First Magic to Smart East at US\$1.00. As at 5 April 2016, the shareholding structure of First Magic was set out below:

Name of shareholder	Number of share(s)	%
Smart East	1	100
Total:	<u>1</u>	<u>100</u>

As at the Latest Practicable Date, First Magic was an investment holding company.

(b) *Citimax Development*

Citimax Development was incorporated in Hong Kong on 26 January 2016, one share of which of HK\$1.00 was allotted and issued at par to ACOTA SERVICES LIMITED, being an Independent Third Party, as the initial subscriber, on the same date. As at 26 January 2016, the shareholding structure of Citimax Development was set out below:

Name of shareholder	Number of share(s)	%
ACOTA SERVICES LIMITED	1	100
Total:	<u>1</u>	<u>100</u>

On 6 April 2016, ACOTA SERVICES LIMITED transferred one share of Citimax Development to First Magic at the consideration of HK\$1.00. As at 6 April 2016, the shareholding structure of Citimax Development was set out below:

Name of shareholder	Number of share(s)	%
First Magic	1	100
Total:	<u>1</u>	<u>100</u>

As at the Latest Practicable Date, Citimax Development was principally engaged in investment holding.

(c) Along Grid

On 25 May 2011, Along Grid was established by Aige Reide (formally known as 北京華電微網能源技術研究院有限公司 (Beijing Huadian Micro Net Energy Technology Research Institute Company Limited*)) in the PRC with a registered share capital of RMB3,000,000 which was paid up by Aige Reide. As at 25 May 2011, the equity holding structure of Along Grid was set out below:

Name of equity holder	Registered capital	%
Aige Reide	RMB3,000,000	100
Total:	<u>RMB3,000,000</u>	<u>100</u>

Considering that the relevant laws in the PRC at the relevant time required a minimum 30% of registered capital of a company to be contributed by cash if part of its registered capital was to be contributed by intangible assets, a second equity holder was introduced. On 4 July 2011, the equity holder of Along Grid resolved that (1) Beijing Shangyin Technology Co., Ltd. (“**Beijing Shangyin**”), a company established in the PRC indirectly controlled by a company established in the PRC, which Mr. Li and Mr. Cao collectively controlled the majority of its equity interest at the relevant time, shall be an equity holder of Along Grid; (2) the registered capital of Along Grid shall be increased to RMB15,000,000, pursuant to which an additional capital of RMB2,000,000 shall be contributed by Aige Reide in cash, while an additional capital of RMB10,000,000 shall be contributed by Beijing Shangyin in cash. As advised by our PRC Legal Advisers, registration for such allotment was completed on 25 July 2011 with the relevant PRC regulatory authorities and the allotment had complied with the relevant PRC laws and regulations.

As at 25 July 2011, the equity holding structure of Along Grid was set out below:

Name of equity holders	Registered capital	%
Aige Reide	RMB5,000,000	33.3
Beijing Shangyin	RMB10,000,000	66.7
Total:	<u>RMB15,000,000</u>	<u>100.0</u>

On 4 August 2011, the equity holders of Along Grid resolved that the registered capital of Along Grid shall be increased to RMB50,000,000, pursuant to which an additional capital of RMB35,000,000 shall be contributed by Aige Reide. Pursuant to a transfer agreement of intangible asset dated 9 August 2011, Aige Reide shall subscribe such additional capital through the transfer of certain of its intellectual properties to Along Grid, the value of which was determined with reference to the value of such intellectual properties of approximately RMB35,000,000 as at 28 February 2011, according to the independent valuer. Such transfer of intellectual properties to Along Grid was completed on 10 August 2011. As advised by our PRC Legal Advisers, registration for such allotment was completed on 30 September 2011 with the relevant PRC regulatory authorities and the allotment had complied with the relevant PRC laws and regulations. As at 30 September 2011, the equity holding structure of Along Grid was set out below:

Name of equity holders	Registered capital	%
Aige Reide	RMB40,000,000	80
Beijing Shangyin	RMB10,000,000	20
Total:	<u>RMB50,000,000</u>	<u>100</u>

On 16 August 2012, the equity holders of Along Grid resolved to approve the transfer of the 20% equity holding in Along Grid of Beijing Shangyin to Aige Reide at the consideration of RMB10,000,000. Pursuant to an equity transfer agreement dated 17 August 2012, Beijing Shangyin transferred the 20% equity holding in Along Grid to Aige Reide at the consideration of RMB10,000,000. As advised by our PRC Legal Advisers, registration for such transfer was completed on 18 September 2012 with the relevant PRC regulatory authorities and the transfer had complied with the relevant PRC laws and regulations. As at 18 September 2012, the equity holding structure of Along Grid was set out below:

Name of equity holder	Registered capital	%
Aige Reide	RMB50,000,000	100
Total:	<u>RMB50,000,000</u>	<u>100</u>

As at the Latest Practicable Date, Along Grid was principally engaged in the business of provision of design, implementation, upgrades and maintenance of software systems and technical services for electric power grid companies and electric power retailing companies in the PRC.

Each of the transfers referred to in this paragraph was properly and legally completed and settled.

(d) Aige Reide Investment

On 29 April 2010, Aige Reide Investment was established by Mr. Liu Feng and Mr. Yi Xisun, both being Independent Third Parties, as the initial subscribers, in the PRC with a registered share capital of RMB10,000,000. As at 29 April 2010, the equity holding structure of Aige Reide Investment was set out below:

Name of equity holders	Paid up capital	Registered capital	%
Mr. Liu Feng	RMB1,400,000	RMB7,000,000	70
Mr. Yi Xisun	RMB600,000	RMB3,000,000	30

On 15 November 2013, Mr. Liu Feng and Mr. Yi Xisun transferred their 70% and 30% equity interest in Aige Reide Investment to Aige Reide and Along Grid at the consideration of RMB1,400,000 and RMB600,000 respectively. As at 15 November 2013, the equity holding structure of Aige Reide Investment was set out below:

Name of equity holders	Paid up capital	Registered capital	%
Aige Reide	RMB1,400,000	RMB7,000,000	70
Along Grid	RMB600,000	RMB3,000,000	30

On 26 July 2014, Along Grid transferred its 30% equity interest in Aige Reide Investment to Aige Reide at the consideration of RMB600,000. The consideration of the transfer was settled by setting off the distributions payable to Aige Reide.

As at the Latest Practicable Date, Aige Reide Investment is not a subsidiary of our Group. Each of the transfers referred to in this paragraph was properly and legally completed and settled.

5. Our Reorganisation

The companies comprising our Group underwent a reorganisation to rationalise our Group's structure in preparation for Listing, steps of our Reorganisation are set out in the section headed "History and development and Reorganisation" in this prospectus.

6. Changes in share capital of our subsidiaries

Our subsidiaries are listed in the Accountants' Report set out in Appendix I to this prospectus. Save for the alterations described in paragraph 4 above and the section headed "History and development and Reorganisation" in this prospectus, there is no alteration in the share capital of our subsidiaries which took place within the two years immediately preceding the date of this prospectus.

7. Further information about our Group's PRC establishment

Our Group has interest in the registered capital of one establishment in the PRC. A summary of the corporate information of such companies is set out as follows:

Along Grid

- | | | |
|--------|-------------------------------------|--|
| (i) | Name of the enterprise: | 北京愛朗格瑞科技有限公司 (Beijing Along Grid Technology Company Limited*) |
| (ii) | Economic nature: | Wholly foreign-owned enterprise |
| (iii) | Registered owner: | Citimax Development |
| (iv) | Total investment: | RMB50,000,000 |
| (v) | Registered capital: | RMB50,000,000 |
| (vi) | Attributable interest to our Group: | 100% |
| (vii) | Term of operation: | From 28 June 2016 to 27 June 2046 |
| (viii) | Scope of business: | Principal: software technology development, technology promotion, technology transfer, technology consultancy, technology services, computer techniques training, computer system consolidation, data processing, computer maintenance, wholesale of machinery equipment, metal and electronic products, electronic equipment, communications devices, computer, software and assistance equipment |

8. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by us of our own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholder, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to a resolution in writing passed by our Shareholders on 5 February 2018, the Repurchase Mandate was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate number of shares of our Company immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles and the Cayman Companies Law. 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. Under the Cayman Islands laws, any repurchases by us may be made out of our profits, our share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles and subject to the Cayman Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of either or both of our profits or our share premium account or, if authorised by the Articles and subject to the Cayman Companies Law, out of capital.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or our subsidiaries.

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 Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person of our Company has notified us that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

9. Registration of Part 16 of the Companies Ordinance

Our Company has established our head office and a principal place of business in Hong Kong for the purpose of registration under Part 16 of the Companies Ordinance at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Our Company has been registered as non-Hong Kong company under Part 16 of the Companies Ordinance. Mr. Wang has been appointed as agent of our Company for the acceptance of service of process in Hong Kong.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

10. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the subscription agreement (the “**Subscription Agreement**”) dated 7 September 2016 and entered into between our Company, Mr. Wang, Mr. Wu, Mr. Li, Mr. Cao, Smart East, Union Sino, Main Wealth, Long Eagle and Chance Talent, pursuant to which Chance Talent conditionally agreed to subscribe for 1,878 Shares for a cash consideration of HK\$30,000,000 (as supplemented by an amendment deed (the “**Amendment Deed**”) to the Subscription Agreement and the Shareholders' Agreement (as defined below) dated 19 October 2017 and entered into by the same parties);
- (b) the shareholders' agreement (the “**Shareholders' Agreement**”) dated 23 September 2016 and entered into between Chance Talent, Mr. Wang, Mr. Wu, Mr. Li, Mr. Cao, Smart East, Union Sino, Main Wealth, Long Eagle and our Company containing the terms in connection with the management and control of our Group and the rights and interests of Chance Talent and the Founding Shareholders (as supplemented by (i) a supplemental agreement dated 27 April 2017 and entered into by the same parties; and (ii) the Amendment Deed);
- (c) a deed of indemnity dated 9 February 2018 executed by our Founding Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries stated therein) containing the indemnities more particularly referred to in the paragraph headed “17. Estate duty, tax and other indemnities” of this Appendix; and
- (d) the Hong Kong Underwriting Agreement.

11. Intellectual property rights of our Group



As at the Latest Practicable Date, we are the registered owner of the following domain names: www.alonginfo.com.cn, www.yxwhpt.com, www.chinalightes.com, www.oneforce.com.cn and www.oneforce.net.cn.

As at the Latest Practicable Date, our Group had the following computer software copyrights in possession in the PRC, all of which have been granted with the registration certificates of computer software copyright:

No.	Nature of software	Copyright holder	Registration number	Date of registration
1.	Data collection	Along Grid	2011SR070999	29 September 2011
2.	Electricity selling and management	Along Grid	2011SR074246	17 October 2011
3.	Electricity usage calculation	Along Grid	2012SR012100	22 February 2012
4.	Electricity usage service geographic data	Along Grid	2012SR012102	22 February 2012
5.	Electricity customer support	Along Grid	2012SR023071	24 March 2012
6.	Electricity selling and management qualify control	Along Grid	2012SR023074	24 March 2012
7.	Electricity selling and management monitor	Along Grid	2012SR033126	26 April 2012
8.	Electricity selling and management development software	Along Grid	2012SR033076	26 April 2012
9.	Electricity trading system	Along Grid	2012SR033080	26 April 2012
10.	Workflow management	Along Grid	2012SR050747	14 June 2012
11.	Electricity counter touchscreen information enquiry system	Along Grid	2012SR076090	20 August 2012
12.	Electricity selling and management smart bill management	Along Grid	2012SR076166	20 August 2012
13.	Realtime information notification system	Along Grid	2012SR090691	22 September 2012
14.	Electricity selling and management system	Along Grid	2013SR032008	9 April 2013
15.	Suppliers invoice coordination system	Along Grid	2013SR032012	9 April 2013
16.	Electricity SMS platform	Along Grid	2013SR130324	21 November 2013
17.	Electricity selling and management unified payment system	Along Grid	2014SR179355	22 November 2014
18.	Electricity selling and management SMS service platform	Along Grid	2014SR179358	22 November 2014
19.	Corporate standardisation information system	Along Grid	2015SR047164	17 March 2015
20.	Informationised selling and management platform	Along Grid	2016SR188025	20 July 2016
21.	Unified management system for power converting stations	Along Grid	2016SR188028	20 July 2016

No.	Nature of software	Copyright holder	Registration number	Date of registration
22.	Electricity selling and management training system	Along Grid	2016SR190382	22 July 2016
23.	Electricity selling and management tutorial applications	Along Grid	2016SR190384	22 July 2016
24.	Electricity smart metering 24-hour automatic payment system	Along Grid	2016SR314234	1 November 2016
25.	Electricity smart metering sale system	Along Grid	2016SR313579	1 November 2016
26.	Sale-related technology and equipment management system	Along Grid	2016SR315260	1 November 2016
27.	Electricity exchange system	Along Grid	2017SR026639	25 January 2017
28.	e-home mobile application for Mongolia electricity V1.0	Along Grid	2017SR248281	9 June 2017
29.	Visualise management system for data V1.0	Along Grid	2017SR248764	9 June 2017
30.	Customer credit rating system V1.0	Along Grid	2017SR553886	28 September 2017

As at the Latest Practicable Date, we had the following trademark which we believe is material to our business:

Trademark	Place of registration	Class	Registration number	Duration of validity
“A” 	Hong Kong	9, 42 ^(Note)	303939634	24 October 2016 – 23 October 2026
“B” 				

Note: The actual specifications under the respective classes in respect of which the trademark is registered for are as follows:

Class	Specification
9	Scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; compact discs, DVDs and other digital recording media; mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment, computers; computer software; fire-extinguishing apparatus.
42	Scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software.

12. Related party transactions

Save as disclosed in note 25 to the Accountants' Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, we have not engaged in any other material related party transactions.

FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS**13. Directors****(a) Disclosure of interests of Directors**

- (i) Mr. Wang is interested in our Reorganisation.
- (ii) Save as disclosed in this prospectus, none of our Directors or their associates was engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) Particulars of Directors' service contracts*Executive Directors*

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from the Listing Date. The term of service shall be renewed and extended automatically by one year on the expiry of such initial term and on the expiry of every successive period of one year thereafter, unless either party has given at least three months' written notice of non-renewal before the expiry of the then existing term.

Each of our executive Directors is entitled to a basic salary as set out below (subject to an annual increment after the Listing Date at the discretion of our Directors of not more than 5% of the annual salary immediately prior to such increase). In addition, each of our executive Directors is also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all our executive Directors for any financial year of our Company may not exceed 10% of the audited consolidated net profit of our Group (after taxation and minority interests and payment of such bonuses but before extraordinary items) in respect of that financial year of our Company. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him. The current basic annual salaries of our executive Directors are as follows:

Name	Annual salary <i>HK\$'000</i>
Mr. Wang	120
Mr. Wu Hongyuan	120

Independent non-executive Directors

Each of our independent non-executive Directors has signed a letter of appointment and has been appointed for an initial term of two years commencing from the Listing Date renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term of appointment, unless terminated by not less than three months' notice in writing served by our independent non-executive Directors or our Company expiring at the end of the initial term or at any time thereafter. Each of our independent non-executive Directors is entitled to a director's fee of HK\$120,000 per annum. Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as disclosed aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) Remuneration of Directors

- (i) The aggregate emoluments paid and benefits in kind granted by our Group to our Directors in respect of each of the three years ended 31 March 2017 and the five months ended 31 August 2017 was approximately RMB914,000, RMB1,046,000, RMB1,012,000 and RMB397,000, respectively.
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our independent non-executive Directors) for the year ending 31 March 2018, are expected to be approximately HK\$910,000.
- (iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 March 2017 and the five months ended 31 August 2017 as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or any other office in connection with the management of the affairs of any member of our Group.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 March 2017 and the five months ended 31 August 2017.

(d) Interests and short positions of our Directors in the Shares, underlying Shares or debentures of our Company and our associated corporations following the Global Offering

Immediately following completion of the Capitalisation Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the interests or short positions of our Directors in the Shares, underlying Shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to notify our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Name of Director	Capacity/ nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Wang	Interest of controlled corporation	60,000,000 Shares (L) (Note 2)	15.745%

Notes:

1. The letter "L" denotes long position in our Shares.
2. These Shares consist of 60,000,000 Shares held by Smart East, which was wholly owned by Mr. Wang as at the Latest Practicable Date.

14. Interest discloseable under the SFO and substantial shareholders

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, other than a Director or chief executive of our Company whose interests are disclosed under the sub-paragraph headed “Interests and short positions of our Directors in the Shares, underlying Shares or debentures of our Company and our associated corporations following the Global Offering” above, the following persons will have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and who will be expected, directly or indirectly, to be interested in 10% or more of the Shares:

Name of Shareholders	Capacity/ nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Long Eagle	Beneficial owner	60,000,000 Shares (L)	15.745%
Mr. Cao	Interest of controlled corporation	60,000,000 Shares (L) (Note 2)	15.745%
Ms. Wang Jiangping	Interest of spouse	60,000,000 Shares (L) (Note 3)	15.745%
Main Wealth	Beneficial owner	60,000,000 Shares (L)	15.745%
Mr. Li	Interest of controlled corporation	60,000,000 Shares (L) (Note 4)	15.745%
Ms. An Ning	Interest of spouse	60,000,000 Shares (L) (Note 5)	15.745%
Union Sino	Beneficial owner	60,000,000 Shares (L)	15.745%
Mr. Wu	Interest of controlled corporation	60,000,000 Shares (L) (Note 6)	15.745%
Ms. Zhang Jianhua	Interest of spouse	60,000,000 Shares (L) (Note 7)	15.745%
Smart East	Beneficial owner	60,000,000 Shares (L)	15.745%
Ms. Xiong Weiqin	Interest of spouse	60,000,000 Shares (L) (Note 8)	15.745%
Chance Talent	Beneficial owner	45,072,000 Shares (L)	11.828%

Name of Shareholders	Capacity/ nature of interest	Number and class of securities	Approximate percentage of shareholding
CCBI Investments Limited	Interest of controlled corporation	45,072,000 Shares (L) (Note 9)	11.828%
CCB International (Holdings) Limited	Interest of controlled corporation	45,072,000 Shares (L) (Note 9)	11.828%
CCB Financial Holdings Limited	Interest of controlled corporation	45,072,000 Shares (L) (Note 9)	11.828%
CCB International Group Holdings Limited	Interest of controlled corporation	45,072,000 Shares (L) (Note 9)	11.828%
China Construction Bank Corporation	Interest of controlled corporation	45,072,000 Shares (L) (Note 9)	11.828%
Central Huijin Investment Limited	Interest of controlled corporation	45,072,000 Shares (L) (Note 9)	11.828%

Notes:

1. The Letter “L” denotes the individual’s or corporations, long position in our Shares.
2. These Shares were held by Long Eagle, which was wholly owned by Mr. Cao as at the Latest Practicable Date.
3. These Shares were held by Long Eagle, which was wholly owned by Mr. Cao as at the Latest Practicable Date, and Ms. Wang Jiangping is the spouse of Mr. Cao.
4. These Shares were held by Main Wealth, which was wholly owned by Mr. Li as at the Latest Practicable Date.
5. These Shares were held by Main Wealth, which was wholly owned by Mr. Li as at the Latest Practicable Date, and Ms. An Ning is the spouse of Mr. Li.
6. These Shares were held by Union Sino, which was wholly owned by Mr. Wu as at the Latest Practicable Date.
7. These Shares were held by Union Sino, which was wholly owned by Mr. Wu as at the Latest Practicable Date, and Ms. Zhang Jianhua is the spouse of Mr. Wu.
8. These Shares were held by Smart East, which was wholly owned by Mr. Wang as at the Latest Practicable Date, and Ms. Xiong Weiqin is the spouse of Mr. Wang.
9. These Shares were held by Chance Talent. China Construction Bank Corporation was owned by Central Huijin Investment Limited as to approximately 57.31% as at the Latest Practicable Date. CCB International Group Holdings Limited was wholly owned by China Construction Bank Corporation as at the Latest Practicable Date. CCB Financial Holdings Limited was wholly owned by CCB International Group Holdings Limited as at the Latest Practicable Date. CCB International (Holdings) Limited was wholly owned by CCB Financial Holdings Limited as at the Latest Practicable Date. CCBI Investments Limited was wholly owned by CCB International (Holdings) Limited as at the Latest Practicable Date. Chance Talent was wholly owned by CCBI Investments Limited as at the Latest Practicable Date. Each of Central Huijin Investment Limited, China Construction Bank Corporation, CCB International Group Holdings Limited, CCB Financial Holdings Limited, CCB International (Holdings) Limited and CCBI Investments Limited is deemed to be interested in the Shares which Chance Talent is interested in.

15. Disclaimers

Save as disclosed in this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Global Offering or upon the exercise of any options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and the Global Offering, have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of us;
- (b) none of our Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once our Shares are listed;
- (c) none of our Directors nor any of the parties listed in paragraph headed “23. Qualifications of experts” below has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any other member of us nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;
- (d) none of our Directors nor any of the parties listed in paragraph headed “23. Qualifications of experts” below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business; and
- (e) save in connection with the Underwriting Agreements, none of the parties listed in paragraph headed “23. Qualifications of experts” below:
 - (i) is interested legally or beneficially in any securities of any member of us; 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 us.

OTHER INFORMATION**16. Share Option Scheme***(a) Summary of terms*

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by all Shareholders on 5 February 2018:

(i) Purposes of the scheme

The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to us. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable us to reward the employees, our Directors and other selected participants for their contributions to us. Given that our Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to our development so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(ii) Who may join

Our Directors (which expression shall, for the purpose of this paragraph 16, include a duly authorised committee thereof) may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity (the “**Invested Entity**”) in which our Group holds an equity interest (“**Eligible Employee**”);
- (bb) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of our Group or any Invested Entity;
- (dd) any customer of any member of our Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and

- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of our Group,

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to his contribution to the development and growth of our Group.

(iii) Maximum number of Shares

- (aa) The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by our Group shall not exceed 30% of the issued share capital of our Company from time to time.
- (bb) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the day on which trading of the Shares commence on the Main Board (the "**General Scheme Limit**").
- (cc) Subject to (aa) above but without prejudice to (dd) below, our Company may seek approval of our Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and for the purpose of calculating the refreshed limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to our Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.
- (dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (cc) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such

purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (the “**Individual Limit**”). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders and our Shareholders’ approval in general meeting of our Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders’ approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) Grant of options to connected persons

- (aa) Any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of our Company or any of their respective associates (as defined under the Listing Rules) must be approved by independent non-executive Directors (excluding any independent non-executive Director who or whose associates is the grantee of the options).
- (bb) Where any grant of options to a substantial shareholder of our Company or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
 - (i) representing in aggregate over 0.1% of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million;

such further grant of options must be approved by our Shareholders in general meeting. Our Company must send a circular to our Shareholders. All connected persons of our Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an independent non-executive Director or any of their respective associates must be approved by our Shareholders in general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless our Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for Shares and consideration for the option

The subscription price for Shares under the Share Option Scheme will be a price determined by our Directors, but shall not be less than the higher of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) Ranking of Shares

(aa) Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles and will rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted upon the exercise of an option shall not carry voting rights until the name of the grantee has been only entered on the register of members of our Company as the holder thereof.

(bb) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, reclassification or reduction of the share capital of our Company from time to time.

(x) Restrictions on the time of grant of options

No offer for grant of options shall be made after inside information has come to the knowledge of our Company until we have announced the information in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the meeting of our Directors for the approval of our Company's results for any year, half-year,

quarterly or any other interim period (whether or not required under the Listing Rules); and (bb) the last date on which our Company must publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the announcement of the results, no option may be granted.

Our Directors may not grant any option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or other grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation or termination, which will be taken to be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive Director but not any non-executive Director) of our Company, any of our subsidiaries or any Invested Entity.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and in the event of him ceasing to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as our Directors may determine or, if any of the events referred to in sub-paragraph (xvi) or (xvii) occur during such period.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If our Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and any member of our Group or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of any member of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option scheme shall lapse as a result of (1), (2) or (3) above.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all Shareholders, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to our Shareholders, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes or the relevant record date for entitlements under the scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly owned by eligible participants

If the grantee is a company wholly owned by one or more eligible participants:

- (i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and
- (ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares to which the Share Option Scheme or any option relates (insofar as it is/they are unexercised) and/or the subscription price of the option concerned and/or (unless the grantee of the option elects to waive such adjustment) the number of Shares comprised in an option, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (ii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; and (iii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of our Directors.

When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by our Shareholders pursuant sub-paragraphs (iii) (cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the

exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xiii) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the period referred to in paragraph (vi);
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii); and
- (cc) the date on which our Directors exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee.

(xiv) Others

- (aa) The Share Option Scheme is conditional on the Listing Committee granting the listing of and permission to deal in, such number of Shares representing the General Scheme Limit to be allotted and issued by our Company pursuant to the exercise of any options in accordance with the terms and conditions of the Share Option Scheme.
- (bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with prior sanction of a resolution of our Shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature of options granted must be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (ee) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by our Shareholders in general meeting.

(b) Present status of the Share Option Scheme

(i) Approval of the Listing Committee required

The Share Option Scheme is conditional on the Listing Committee granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options in accordance with the terms and conditions of the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

Application has been made to the Listing Committee for the listing of and permission to deal in our Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of option

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

17. Estate duty, tax and other indemnities

Our Founding Shareholders (together, the “**Indemnifiers**”) have entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of our present subsidiaries) (being the material contract (c) referred to in paragraph 10 above) to provide indemnities on a joint and several basis in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group on or before Listing; and

- (b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifiers are under no liability under the deed of indemnity in respect of any taxation:

- (a) to the extent that provision has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 31 August 2017;
- (b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 September 2017 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily effected by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, otherwise than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or after 1 September 2017; or
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 31 August 2017 or pursuant to any statement of intention made in this prospectus;
- (c) to the extent that such taxation liabilities or claim arises or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the deed of indemnity or to the extent such claim arises or is increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 31 August 2017 and which is finally established to be an overprovision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the deed of indemnity, each of the Indemnifiers has also undertaken to us that he/it will indemnify and at all times keeps us fully indemnified, on a joint and several basis, from any losses arising from our Reorganisation.

18. Litigation

No member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company, that would have a material adverse effect on our results of operation or financial condition of our Company.

19. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately US\$2,174 and are payable by our Company.

20. Promoter

- (a) Our Company does not have any promoter.
- (b) Within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to any promoters of our Company in connection with the Global Offering or the related transactions in this prospectus.

21. Agency fees or commissions received

The Hong Kong Underwriter will receive an underwriting commission of 2.5% of the aggregate Offer Price payable for Hong Kong Offer Shares initially offered under the Hong Kong Underwriting Agreement. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay a placing commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriter and not the Hong Kong Underwriter. In addition, we may pay the Sole Global Coordinator an incentive fee of up to 1.5% of the aggregate Offer Price for the Hong Kong Public Offering.

22. Sponsor

The Sole Sponsor has made an application on behalf of our Company 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 and any Shares which may be issued upon the exercise of any option which may be granted under the Share Option Scheme, being 10% of the Shares in issue on the Listing Date, on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fees payable by us in respect of the Sole Sponsor's services as sponsor for the Listing is HK\$3.8 million.

23. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

LY Capital	Licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
KPMG	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Jingtian & Gongcheng	Qualified PRC lawyers
CIC	Industry expert
Leung, Richard W.K.	Barrister-at-law in Hong Kong

24. Consents of experts

Each of LY Capital, KPMG, Conyers Dill & Pearman, Jingtian & Gongcheng, CIC and Leung, Richard W.K. has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their report and/or letter and/or legal opinion (as the case may be) and the references to their names or summaries of opinions included herein in the form and context in which they respectively appear.

25. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, 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.

26. Taxation of holders of Shares

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. 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, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty so long as our Company does not hold any interest in land in the Cayman Islands.

27. Miscellaneous

- (a) Save as disclosed in this prospectus:
 - (i) within the two years preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
- (b) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 August 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up).
- (c) our Directors confirm that there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

28. 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 Prospectuses for Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the Application Forms, the written consents referred to under the sub-paragraph headed “24. Consents of experts” under the paragraph headed “Other information” of Appendix IV to this prospectus, and certified copies of the material contracts referred to in the sub-paragraph headed “10. Summary of material contracts” under the paragraph headed “Further information about the business of our Company” of Appendix IV to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Chiu & Partners at 40th Floor, Jardine House, 1 Connaught Place, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) our Memorandum and Articles;
- (b) the accountants’ report of our Group prepared by KPMG, the text of which is set out in Appendix I to this prospectus;
- (c) the consolidated financial statements of our Group for each of the three years ended 31 March 2017 and the five months ended 31 August 2017;
- (d) the report from KPMG relating to the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (e) the Cayman Companies Law;
- (f) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- (g) the legal opinion prepared by our PRC Legal Advisers in respect of certain aspects of our Group in the PRC;
- (h) the legal opinions prepared by our Hong Kong Legal Counsel in respect of certain aspects of Hong Kong law in connection with the pre-IPO investment;
- (i) the industry report prepared CIC referred to in the section headed “Industry Overview” in this prospectus;
- (j) the material contracts referred to in the sub-paragraph headed “10. Summary of material contracts” in the paragraph headed “Further information about the business of our Company” in Appendix IV to this prospectus;
- (k) the written consents referred to in the sub-paragraph headed “4. Consents of experts” under the paragraph headed “Other information” in Appendix IV to this prospectus;
- (l) the rules of the Share Option Scheme; and
- (m) the service contracts and letters of appointment referred to in the sub-paragraph headed “13. Directors” in the paragraph headed “Further information about Directors and Shareholders” in Appendix IV to this prospectus.

