

# C-LINK SQUARED LIMITED

(Incorporated in the Cayman Islands with limited liability)  
Stock code : 1463

## SHARE OFFER

Sole Sponsor



中毅資本有限公司  
Grand Moore Capital Limited

Joint Bookrunners and Joint Lead Managers



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## IMPORTANT

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

# C-LINK SQUARED LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

## SHARE OFFER

Number of Offer Shares under the Share Offer	:	200,000,000 Shares (subject to the Over-allotment Option)
Number of Public Offer Shares	:	20,000,000 Shares (subject to adjustment)
Number of Placing Shares	:	180,000,000 Shares (subject to adjustment and the Over-allotment Option)
Offer Price	:	Not more than HK\$0.73 per Offer Share and not less than HK\$0.63 per Offer Share, plus brokerage fee of 1.0%, 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	:	1463

### Sole Sponsor



中毅資本有限公司  
Grand Moore Capital Limited

### Joint Bookrunners and Joint Lead Managers



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 the accuracy or completeness of this prospectus 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, together with the documents specified under the paragraph headed "Documents delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 38D 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 for the contents of this prospectus or any other document referred to above.

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

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Friday, 20 March 2020 and, in any event, no later than 5:00 p.m. on Monday, 23 March 2020. The Offer Price will not be more than HK\$0.73 and is currently expected to not be less than HK\$0.63. Applicants for Public Offer Shares are required to pay, on application, the maximum Offer Price (HK\$0.73) for each Share together with a brokerage fee of 1.0%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is lower than the maximum Offer Price (HK\$0.73).

If, for any reason, the Offer Price is not agreed between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company by 5:00 p.m. on Monday, 23 March 2020, the Share Offer (including the Public Offer) will not proceed and will lapse. Further details are set out in the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares" in this prospectus. The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe or procure subscribers to subscribe for the Offer Shares, are subject to termination with immediate effect by written notice from the Joint Bookrunners and Joint Lead Managers if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the paragraph headed "Grounds for termination" under the section headed "Underwriting" in this prospectus. It is important that prospective investors refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Offer Shares are not being offered and sold outside the United States in reliance on Regulation S under the U.S. Securities Act and the applicable laws of each jurisdiction where those offers and sales occur.

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## EXPECTED TIMETABLE

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We will issue an announcement in Hong Kong to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) and on our website ([www.clinksquared.com](http://www.clinksquared.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) if there is any change in the following expected timetable of the Public Offer<sup>(1)</sup>:

Date<sup>(1)</sup>

Application lists of the Public Offer open <sup>(2)</sup> . . . . . 11:45 a.m. on Friday, 20 March 2020

Latest time for lodging **WHITE** and **YELLOW**

Application Forms and giving

**electronic application instructions** to HKSCC<sup>(3)</sup> . . . . 12:00 noon on Friday, 20 March 2020

Application lists of the Public Offer close <sup>(2)</sup> . . . . . 12:00 noon on Friday, 20 March 2020

Expected Price Determination Date <sup>(4)</sup> . . . . . on or around Friday, 20 March 2020

Announcement of the final Offer Price, the levels of

indication of interest in the Placing,

the level of applications of the Public Offer and

the basis of allocation of the Public Offer Shares

to be published on our Company's website at

[www.clinksquared.com](http://www.clinksquared.com) and the website of

the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on or before . . . . . Thursday, 26 March 2020

Announcement of results of allocations

in the Public Offer (with successful applicants'

identification document numbers, where applicable)

will be available through a variety of channels

in the section headed "How to apply for Public Offer Shares

– 10. Publication of results" in this prospectus from . . . . . Thursday, 26 March 2020

Results of allocations in the Public Offer

will be available at [www.iporeresults.com.hk](http://www.iporeresults.com.hk)

(alternatively: English <https://www.eipo.com.hk/en/Allotment>;

Chinese <https://www.eipo.com.hk/zh-hk/Allotment>)

with a "search by ID Number"

function from . . . . . Thursday, 26 March 2020

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## EXPECTED TIMETABLE

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Date<sup>(1)</sup>

Despatch/Collection of share certificates in respect of  
wholly or partially successful applications <sup>(5)-(7)</sup> . . . . . Thursday, 26 March 2020

Despatch/Collection of refund cheques in respect of wholly or  
partially successful applications if the Offer Price is less than  
the price payable on application (if applicable) and wholly or  
partially unsuccessful applications <sup>(5)-(8)</sup> . . . . . Thursday, 26 March 2020

Dealings in Shares on the Stock Exchange expected  
to commence at . . . . . 9:00 a.m. on Friday, 27 March 2020

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Notes:

1. All times and dates refer to Hong Kong local time and dates unless otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.
2. If there is/are a “black” rainstorm warning, a tropical cyclone warning signal number eight or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 20 March 2020, the application lists will not open and close on that day. Further information is set out in the section headed “How to apply for Public Offer Shares – 9. Effect of bad weather on the opening of the application lists” in this prospectus.
3. Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the section headed “How to apply for Public Offer Shares – 5. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
4. Please note that the Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or around Friday, 20 March 2020 or such later time as may be agreed by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), and, in any event, no later than 5:00 p.m. on Monday, 23 March 2020. If, for any reason, the Offer Price is not agreed between our Company (for ourselves) and the Joint Bookrunners (for themselves and on behalf of the Underwriters) by 5:00 p.m. on Monday, 23 March 2020, the Share Offer will not proceed and will lapse. Notwithstanding that the Offer Price may be fixed at below the maximum indicative Offer Price of HK\$0.73 per Offer Share, applicants who apply for the Offer Shares must pay on application the maximum indicative Offer Price of HK\$0.73 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% but will be refunded the surplus application monies as provided in the section headed “How to apply for Public Offer Shares – 12. Refund of application monies” in this prospectus.

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## EXPECTED TIMETABLE

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5. Refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.
6. Applicants who apply on **WHITE** Application Forms for 1,000,000 Shares or more under the Public Offer and have provided all information required by their Application Forms, they may collect their refund cheques and (where applicable) share certificates in person from the Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 26 March 2020. Applicants being individuals who is eligible for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who is eligible for personal collection must attend by their authorised representatives bearing a letter of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) authorisation documents acceptable to the Hong Kong Branch Share Registrar.
7. Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more Public Offer Shares under the Public Offer and have provided all information required by Application Forms, they may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms is the same as that for **WHITE** Application Form applicants.
8. Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms shortly after the expiry of the time for collection at the date of despatch of refund cheque as described in the section headed "How to apply for Public Offer Shares – 13. Despatch/collection of share certificates and refund monies" in this prospectus.

**Share certificates for the Public Offer Shares will only become valid certificates of title to which they relate at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in the section headed "Underwriting – Underwriting arrangements and expenses – Public Offer – Grounds for termination" in this prospectus has not been exercised and has lapsed. Investors who trade our Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.**

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### IMPORTANT NOTICE TO INVESTORS

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

*Prospective investors should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters have not authorised anyone to provide prospective investors with information that is different from what is contained in this prospectus. Any information or representation not contained in this prospectus must not be relied on by prospective investors as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Share Offer.*

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## SUMMARY

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*This summary aims to give prospective investors an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As this is a summary, it does not contain all the information that may be important to prospective investors. Prospective investors should read the entire prospectus before deciding to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks relating to investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. Prospective investors should read that particular section carefully before deciding to invest in the Offer Shares. Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary of Technical terms” in this prospectus.*

## OVERVIEW

Founded in 2000 by two siblings, Mr. F Ling and Mr. W Ling, we are a Malaysian-based outsourced document management services provider and related software application and enterprise software solutions developer. Our Group’s services include the provision of document management services and enterprise software solutions. Our outsourced document management services include (i) electronic document delivery; (ii) document print & mail fulfilment; (iii) MICR Cheque print & mail fulfilment; (iv) medical ID card print & mail fulfilment; and (v) document imaging and scanning services. According to the CIC Report, we were ranked second in terms of revenue generated from the provision of document management service in Malaysia in 2019.

In or around 2005, we commenced developing our proprietary software that focused on digital transformation of documents and information and providing outsourced services in electronic document, print document delivery and document management hosting services for Malaysian companies in the banking, insurance and retail industries. In August 2018, we repackaged our various software and relaunched them as our Streamline Suite. The Streamline Suite capabilities range from document template design, data hosting, document composition, data extraction, high-speed printing, email distribution and internet browser-based interface operation for providing customers’ access to data. While compatible with different operating systems such as Microsoft Windows, UNIX and LINUX, the Streamline Suite was developed independent of operating system without having to rely on, and hence are not limited by, any other third-party software applications. As such, we have been able to customise the applications to tailor to their business requirements.

As at the Latest Practicable Date, the Streamline Suite consists of three systems and is as follows: (i) Streamline Output Management System (OMS); (ii) Streamline Electronic Document Warehouse (EDW); and (iii) Streamline Document Management System (DMS).



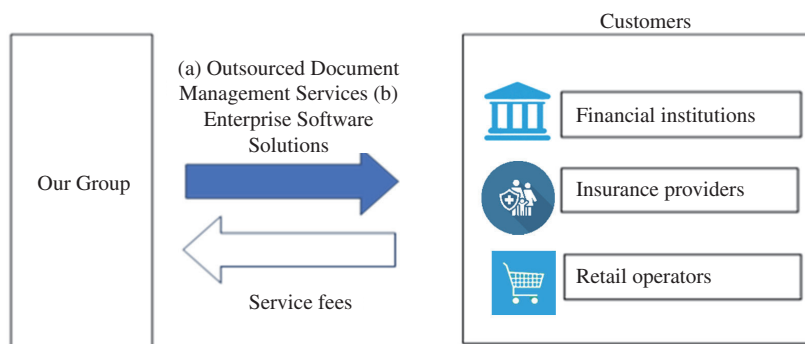
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## SUMMARY

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### Our Business Model

We have a stable business based on our long-term relationship with our major customers and providing outsourced document management services and enterprise software solutions.



Our revenue model for each of our Group's business streams is summarized below:

- i) **Outsourced Document Management Services** – The provision of document management services is the processing of data provided by our customers using our proprietary software, Streamline Suite. The data is processed, assembled and converted to an electronic document which can be printed and sent through traditional post or delivered in digital formats to our customers' end clients. We generally charge our customers unitised, managed and programming fees which will vary depending on the volume, scope of work and complexity.
- ii) **Enterprise Software Solutions** – The provision of enterprise software solution is the licensing of our proprietary software, Streamline Suite, to customers and which maybe installed at our customers' location or provided through the cloud/our data centre. We generally charge customers based on a base pack price of five users and extension pack for additional users based on 25 to 30 users. We will also charge implementation fees, programming fees and annual maintenance fees which depends on the customer's needs, scope of services, complexity and size of operations.

Our proprietary software, Streamline Suite, is developed by our in-house R&D team and we do not rely on any third party to develop our software. To meet the specific needs of our customers, we are able to customize our proprietary software to our customer's needs. Details of our Group's operations is set out in the section headed "Business" in this prospectus.

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## SUMMARY

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### **Our Group's IT infrastructure**

During the Track Record Period, our outsourced document management services and enterprise software solutions were provided through our Group's IT infrastructure that includes 28 racks in our office location, 13 racks in our production & recovery centre and 2 racks in our legal documents fulfilment centre containing web, application and database servers, enterprise storage devices, network switches, domain controllers, domain name servers, software security systems such as firewalls and intrusion detection and intrusion prevention system. Our Group's IT infrastructure was not purposely built and was added to our operations in or around 2003 on a piecemeal basis to broaden our product offerings and adapt to the environment where the outsourced document management services has steadily evolved with the global advancement in technology and electronic delivery capabilities to reduce printed documents. As such, our outsourced document management services have also developed in stride to provide more digitised solutions, which require data centres meeting standards for hosting of information and provision of software applications through the cloud environment.

### **The Impact of Risk Management in Technology Policy ("RMIT")**

In July 2019, Bank Negara Malaysia issued the RMIT which sets out the technology risk management framework required by Bank Negara Malaysia and became effective on 1 January 2020. According to the RMIT, the production data centres and recovery data centres used by FI must be concurrently maintainable which shall be similar or equivalent to the international standards of Tier 3 requirements. For further details please refer to the section headed "Regulatory Overview" in this prospectus.

To further ensure that our Group's services to financial institution customers will not be interrupted during the construction of our new data centre and regardless of the length of any transitional period that may be granted by Bank Negara Malaysia to the respective FI customers to comply with the RMIT requirements, our Group has discussed and agreed with most of our FI customers that our Group be allowed for a period of not more than 24 months starting from 1 January 2020 as an one-off transitional arrangement, to temporarily lease rack space from a third-party Tier 3 data centre.

Our Group has entered into an agreement dated 2 October 2019 with the owner and provider of a Tier 3 data centre to exclusively lease certain number of racks space to continue to provide our services to the FI customers which are subject to the RMIT requirements. As at the Latest Practicable Date, the Group has leased and relocated 43 racks to such third-party Tier 3 data centre to satisfy the demand from our Group's FI customers. As at the Latest Practicable Date, our Group's existing IT infrastructure was operating at 100% utilisation. Other than to comply with the RMIT requirements, our Group must seek consents from our FI customers as it is our understanding that FI customers do not allow, for reasons such as, data security, cyber security, premise security, for data to be processed by us to be stored or held in external data centres or for us to relocate their data processing centre without prior consents. In order for us to ensure that we

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## SUMMARY

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are in compliance with our FI customers' internal control and cyber security requirements, we are required to obtain consents from our FI customers for the transitional arrangement. As at the Latest Practicable Date, with exception to eight FI customers which are non-recurring or one-off customers, our Group has obtained consents from all other FI customers for the use of the third-party data centre. If the revenue from these eight FI customers is excluded from our Track Record Period, our Group's operating profit would be reduced by approximately RM52,000, RM18,000, RM4,000 and RM37,000 for the three years ended 31 December 2018 and the nine months ended 30 September 2019. The revenue from these eight financial institution customers in aggregate accounts for approximately 0.4%, 0.1%, 0.02% and 0.2% of our Group's revenue for the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively.

If we plan to purchase and convert a building instead of constructing one on our own, we will not require any new consent from our FI customers as long as the Group's data center meets the Tier 3 standard.

Our Directors are of the view that our Group is well prepared for the requirements of RMIT because (i) both our Group and its FI customers were aware and had been closely following the announcement and implementation of the RMIT policy since mid-2019; (ii) our Group had been continuously communicating with its FI customers to formulate strategies and plan to ensure compliance of the RMIT requirement; (iii) we have full understanding of the RMIT requirements and our Group's Malaysia Legal Adviser has assisted in liaising with relevant officer at Bank Negara Malaysia to obtain any clarification on matters under the RMIT; (iv) both our Group and its FI customers agreed for the aforesaid one-off transitional arrangement to ensure no interruption of services rendering by the Group during the construction of our new data centre; and (v) our Group has identified suitable land for our data centre and has contingency plan if we are unable to commence the construction of the data centre by end of second quarter 2020.

### **Our plan to build a new data centre**

In order to cope with the additional hardware required for our operation, it is our Group's strategic plan to build a new Tier 3 standard compliant data centre in Cybercity. Upon the advice of our data centre consultant, as at the Latest Practicable Date, we have identified a piece of land of approximately 1.1 acre in size to accommodate the required size of the data centre. We expect the construction of our new data centre will complete by the end of second quarter of 2021. The total cost for the new data centre is estimated to be approximately RM48.5 million, representing approximately 3.7 times of the unaudited net profit for the year ended 31 December 2019. If excluding the listing expenses, the total cost will represent approximately 2.9 times of the unaudited net profit for the year ended 31 December 2019. We have been advised by our real estate agent that there are at least five alternative suitable plots of land with similar area and price available in the market. To the best knowledge of our Directors, there is no other bidders trying to acquire the identified potential land. In April 2020 our Group can begin to negotiate with the owner to acquire this piece of land.

## SUMMARY

In the event that our Group is unable to find suitable land to build the data centre or is unable to commence the construction of the data centre by 30 June 2020, we will consider purchasing an existing building which will allow us to convert it into a Tier 3 data centre within a shorter construction period but will be more expensive overall. If we are required to purchase an existing building to convert it into a Tier 3 data centre, the total cost for the new data centre is estimated to be increased to approximately RM50.3 million, representing approximately 3.9 times of the unaudited net profit for the year ended 31 December 2019. If excluding the listing expenses, the total cost will represent approximately 3.0 times of the unaudited net profit for the year ended 31 December 2019. The size of the building to be purchased is expected to be along the same lines of the data centre to be built (i.e. 30,000 sq. ft) but will be dependent on what is available on the market. The building will also be located in Cybercity which will allow our Group to reap tax and technical benefits. The timing required for the acquisition of an existing building and conversion into the data centre is approximately 10 months. For further information please see the section headed “Business – Contingency plan for building our own data centre” in this prospectus. As at the Latest Practicable Date, we have been advised by our real estate agent that there are at least two suitable buildings available on the market.

Our FI customers grant a period of 24 months starting from 1 January 2020 as a one-off transitional arrangement to temporarily lease rack space from a third-party Tier 3 data centre. According to our data centre consultant, the construction of our new data centre is expected to commence in the second quarter of 2020 and will take around 12-15 months to complete. Therefore, we will have around three months buffer to identify suitable land to construct on or an existing building to be converted into a Tier 3 data centre before the 24-month transitional arrangement elapses by the end of 2021.

Based on the above, in view of the above factors and the imminent need to build a data centre, our Directors are confident and do not expect any hindrance to acquire a plot of land to build our data centre within the period of transitional arrangement with our FI customers.

During the Track Record Period, we derived substantially all of our revenue from the provision of (i) outsourced document management services and (ii) enterprise software solutions. The table below is a breakdown of our Group’s revenue by revenue stream and as a percentage of our total revenue during the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2016		2017		2018		2018		2019	
Revenue	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%
Provision of outsourced document management services	66,439	97.4	69,456	97.8	65,176	97.1	47,644	97.4	48,503	89.4
Provision of enterprise software solutions	1,759	2.6	1,588	2.2	1,919	2.9	1,275	2.6	5,763	10.6
	<u>68,198</u>	<u>100.0</u>	<u>71,044</u>	<u>100.0</u>	<u>67,095</u>	<u>100.0</u>	<u>48,919</u>	<u>100.0</u>	<u>54,266</u>	<u>100.0</u>

## SUMMARY

### CUSTOMERS

During the Track Record Period and up to the Latest Practicable Date, our customers were companies from the banking, insurance and retail industries and were mainly located in Malaysia. For the three years ended 31 December 2018 and nine months ended 30 September 2019, we had 131, 126, 109 and 107 customers, respectively. As we possess the technical capability, flexibility of customising our software to meet our customers' specific needs and ability to provide accurate and efficient processing, we believe this has led to a majority of our customers to return and continue using our services by renewing the service contracts when they expire.

The table below sets out a breakdown of the revenue generated from our customers in these different industries:

	2016			Year ended 31 December 2017			2018			Nine months ended 30 September 2018			2019		
	Number of customers	(RM'000)	%	Number of customers	(RM'000)	%	Number of customers	(RM'000)	%	Number of customers	(RM'000)	%	Number of customers	(RM'000)	%
Banking industry (Note 1)	21	36,188	53.1	19	35,819	50.4	20	34,791	51.8	20	25,634	52.4	21	27,573	50.8
Insurance industry (Note 2)	20	21,404	31.4	20	24,772	34.9	19	21,716	32.4	18	16,232	33.2	24	17,623	32.5
Retail industry (Note 3)	90	10,606	15.5	87	10,453	14.7	70	10,588	15.8	66	7,053	14.4	62	9,070	16.7
<b>Total</b>	<b>131</b>	<b>68,198</b>	<b>100.0</b>	<b>126</b>	<b>71,044</b>	<b>100.0</b>	<b>109</b>	<b>67,095</b>	<b>100.0</b>	<b>104</b>	<b>48,919</b>	<b>100.0</b>	<b>107</b>	<b>54,266</b>	<b>100.0</b>

**Notes:**

- Customers in the banking industry mainly comprise of FI regulated by the Bank Negara Malaysia and asset management companies regulated by the Securities Commission Malaysia.
- Customers in the insurance industry mainly comprise of Malaysian insurance companies and takaful operators regulated by the Bank Negara Malaysia.
- Customers in the retail industry comprise of loyalty program and multi-level marketing companies, law firms and oil companies.

The following table sets out the movement in the number of our Group's customers using our Group's services during the Track Record Period:

	Year ended 31 December		Nine months ended 30 September	
	2016	2017	2018	2019
Number of customers at beginning of year	144	131	126	109
Number of new customers	30	26	15	19
Number of lost customers	43	31	32	21
Number of customers at year end	131	126	109	107
Average number of years of relationship with our customers	5	5	6	7

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## SUMMARY

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The decrease in the customers in each year from the previous year during the Track Record Period was mainly because (i) these customers were only one-off customers; (ii) the customer had undergone internal restructuring and services were realigned to other companies that were considered as our new customers in the subsequent year; and (iii) the customers only required printing of cheques on an ad-hoc basis. None of these customers were top five major customers during the Track Record Period or as at the Latest Practicable Date and with exception to one customer that underwent restructuring into four companies which remained as our customers in the subsequent year, none of them accounted for more than 1% of our Group's revenue during the relevant year. The average revenue generated from these one-off customers amounted to approximately RM24,000, RM17,000, RM14,000 and RM56,000 for the three years ended 31 December 2018 and nine months ended 30 September 2019, respectively. The new customers for the year ended 31 December 2016 were customers mainly from the retail industry, which, on average, generated relatively less revenues. From the year 2017 onwards, while retaining its recurring customers, our Group focused more on large-scaled customers, including large FI customers, which can generate more revenue. This results in decrease in the number of new customers during the Track Record Period. As at the Latest Practicable Date, the average number of years of relationship with our recurring customers for the nine months ended 30 September 2019 is around eight years.

For the three years ended 31 December 2018 and the nine months ended 30 September 2019, sales to our top five customers collectively accounted for approximately 57.9%, 57.9%, 51.8% and 45.6% of our total revenue, respectively, and sales to our single largest customer, Customer A, accounted for approximately 28.5%, 23.9%, 18.5% and 16.2% of our total revenue, respectively.

Please refer to the section headed "Business – Customers" in this prospectus for details.

## SUPPLIERS AND SERVICE PROVIDERS

During the Track Record Period, material suppliers mainly supplied paper products such as paper and envelopes, and printing consumables. We are also required to source for services suppliers for our posting needs and for certain printing needs that we could not do in-house. We do not enter into any long term supply agreements with any suppliers or service providers and will purchase or engage them on an as required basis. The credit period granted by suppliers and service providers (if any) is generally 30 days. For the three years ended 31 December 2018 and the nine months ended 30 September 2019, approximately 90.6%, 92.5%, 92.9% and 89.3% of our Group's purchases were attributable to our Group's five largest suppliers, respectively. In particular, our Group's total purchases attributable to our Group's largest supplier for the three years ended 31 December 2018 and the nine months ended 30 September 2019 were approximately 71.3%, 74.4%, 76.8% and 71.4%, respectively.

Please refer to the section headed "Business – Suppliers and Service Providers" in this prospectus for details.

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### Licensing and Approvals

As advised by the Malaysia Legal Adviser, our Group's operations are not subject to any specific laws or regulations.

For details, please refer to the section headed "Business – Licensing and Approvals" in this prospectus.

### OUR COMPETITIVE STRENGTHS

- Proprietary technology and process advantage
- Established and loyal customer base
- We are an acceptable service supplier to banks
- Experienced management team with a proven track record of delivering growth

Please refer to the section headed "Business – Our Competitive Strengths" in this prospectus.

### OUR BUSINESS STRATEGIES

We intend to achieve sustainable growth in our business and create long-term shareholders' value by (i) increasing our Group's technological capability and capacity by enhancing our software, (ii) expanding our Group's market presence in Malaysia and Singapore and exploring further expansion regionally to capture further market share, and (iii) increasing our Group's visibility, operational efficiency and profitability through obtaining MSC Malaysia status. Please refer to the sections headed "Business – Our Business Strategies" and "Future Plans and Proposed Use of Proceeds" in this prospectus for a detailed description of these strategies.

### Highlight of consolidated statements of comprehensive income

	Year ended 31 December			Nine months ended	
	2016	2017	2018	2018	2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	68,198	71,044	67,095	48,919	54,266
Gross profit	17,084	20,767	26,733	17,850	22,187
Profit before income tax	12,099	14,546	16,615	10,570	13,639
Profit for the year/period	9,215	11,155	11,780	7,313	9,307
Total comprehensive income for the year/ period attributable to the owners of our Company	9,215	11,155	11,780	7,313	9,307

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## SUMMARY

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	As at 31 December		As at 30 September	
	2016	2017	2018	2019
Highlight of consolidated statements of financial position				
Non-current assets	18,017	18,402	17,709	16,814
Current assets	33,210	35,452	42,535	49,798
Current liabilities	9,273	20,874	7,969	6,689
Net current assets	23,937	14,578	34,566	43,109
Non-current liabilities	3,150	2,821	17,336	15,677
Net assets	38,804	30,159	34,939	44,246

The decline in net assets for the year ended 31 December 2017 was due to the payment of dividends.

### Revenue

Our total revenue increased by approximately RM2.8 million or 4.2% from approximately RM68.2 million for the year ended 31 December 2016 to approximately RM71.0 million for the year ended 31 December 2017. The increase in our revenue was mainly attributable to the increase in our revenue generated from the provision of outsourced document management services of approximately RM3.0 million which was mainly due to additional revenue of approximately RM2.3 million from a new customer and offset by a slight decrease in revenue generated from the provision of our enterprise software solutions.

Our total revenue decreased by approximately RM3.9 million or 5.6% from approximately RM71.0 million for the year ended 31 December 2017 to approximately RM67.1 million for the year ended 31 December 2018. Such decrease was mainly attributable to the decrease in our revenue generated from printing and mail fulfilment services but the effect is mitigated by the increase in our revenue generated from electronic services provided to customers due to the ongoing trend of the greater adoption of document digitalisation within enterprises.

Our total revenue increased by approximately RM5.3 million or 10.9% from approximately RM48.9 million for the nine months ended 30 September 2018 to approximately RM54.3 million for the nine months ended 30 September 2019. Such increase was mainly attributable to the increase in revenue generated from the provision of enterprise software solution services as a result of the revenue contributed from two customers in Singapore for provision of Streamline OMS and EDW solution.

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



## SUMMARY

The following is the analysis of revenue, gross profit margin and the average service fee by different service types during Track Record Period.

	2016				Year ended 31 December 2017				2018				Nine months ended 30 September 2018				2019			
	Revenue (RM'000)	As % of total revenue %	Gross profit margin %	Average service fee (RM)	Revenue (RM'000)	As % of total revenue %	Gross profit margin %	Average service fee (RM)	Revenue (RM'000)	As % of total revenue %	Gross profit margin %	Average service fee (RM)	Revenue (RM'000)	As % of total revenue %	Gross profit margin %	Average service fee (RM)	Revenue (RM'000)	As % of total revenue %	Gross profit margin %	Average service fee (RM)
<b>Outsourced document management services</b>																				
(1) Electronic document delivery	975	1.4	82.7	0.32	2,097	3.0	83.2	0.18	3,399	5.1	81.6	0.12	2,366	4.8	81.4	0.12	2,974	5.5	84.6	0.10
(2) Document print & mail fulfilment	59,206	86.8	20.8	0.13	64,359	90.6	25.3	0.11	56,387	84.0	34.9	0.14	41,552	84.9	31.6	0.14	41,045	75.6	30.8	0.13
(3) MICR cheque print & mail fulfilment	1,370	2.0	28.2	0.33	819	1.2	28.7	0.39	746	1.1	36.7	0.37	573	1.2	37.7	0.41	325	0.6	35.1	0.36
(4) Medical ID card print & mail fulfilment	3,660	5.4	33.8	0.08	1,029	1.4	31.3	0.08	3,778	5.6	46.0	0.08	2,488	5.1	41.6	0.07	3,550	6.6	40.3	0.10
(5) Document imaging and scanning service	1,228	1.8	68.0	0.07	1,152	1.6	70.7	0.08	866	1.3	76.4	0.12	665	1.4	71.7	0.11	609	1.1	76.5	0.18
	<u>66,439</u>	<u>97.4</u>	<u>23.5</u>		<u>69,456</u>	<u>97.8</u>	<u>27.9</u>		<u>65,176</u>	<u>97.1</u>	<u>38.6</u>		<u>47,644</u>	<u>97.4</u>	<u>35.3</u>		<u>48,503</u>	<u>89.4</u>	<u>35.4</u>	
<b>Enterprise software solutions</b>	<u>1,759</u>	<u>2.6</u>	<u>84.4</u>		<u>1,588</u>	<u>2.2</u>	<u>86.2</u>		<u>1,919</u>	<u>2.9</u>	<u>82.9</u>		<u>1,275</u>	<u>2.6</u>	<u>82.6</u>		<u>5,763</u>	<u>10.6</u>	<u>86.7</u>	
<b>Total</b>	<u>68,198</u>	<u>100.0</u>	<u>25.1</u>		<u>71,044</u>	<u>100.0</u>	<u>29.2</u>		<u>67,095</u>	<u>100.0</u>	<u>39.8</u>		<u>48,919</u>	<u>100.0</u>	<u>36.5</u>		<u>54,266</u>	<u>100.0</u>	<u>40.9</u>	

The gross profit margin of electronic document delivery maintained at a similar level for the three years ended 31 December 2018 and the nine months ended 30 September 2019. The gross profit margin of document print & mail fulfilment increased from approximately 20.8% for the year ended 31 December 2016 to approximately 25.3% for the year ended 31 December 2017 and further increased to approximately 34.9% for the year ended 31 December 2018 mainly due to the increase of proportion of revenue generated from high profit margin service such as programming charge, development fee and UAT charges provided to customers while decrease in proportion of revenue generated from lower profit margin service such as postage and supply of materials. The gross profit margin of document print & mail fulfilment maintained at a similar level for the nine months ended 30 September 2018 and 2019. The gross profit margin of MICR cheque print & mail fulfilment increased to approximately 36.7% for the year ended 31 December 2018 mainly due to (i) the decrease of supply of materials which has a lower profit margin and (ii) the decrease of staff cost of production and planning department and upkeep of assets in 2018. Staff cost of production and planning department decreased from approximately RM3.7 million for the year ended 31 December 2017 to approximately RM2.9 million for the year ended 31 December 2018, mainly due to (i) the decrease of bonuses paid to staff and (ii) the decrease of overtime expenses as more electronic document delivery services were provided and the process of which is more digitalised using streamline applications, and therefore less overtime work by production and planning department was required. Upkeep of assets decreased from approximately RM2.2 million for the year ended 31 December 2017 to approximately RM0.7 million for the year ended 31 December 2018 mainly due to the decrease of printing services our Group provided and reduction in asset maintenance as our Group has purchased new printers to replace old models which require more frequent maintenance. The gross profit margin of MICR cheque print & mail fulfilment maintained at a similar for the nine months ended 30 September 2018 and 2019. The gross profit margin of medical ID card print & mail fulfilment increased to approximately 46.0% for the year ended 31 December 2018 mainly due to (i) the decrease of proportion of revenue generated from lower profit margin service such as postage and supply of materials compared to

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## SUMMARY

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the year ended 31 December 2017 and (ii) the decrease of staff cost of production and planning department and upkeep of assets in 2018. The gross profit margin of Medical ID card print & mail fulfilment maintained at a similar level for the nine months ended 30 September 2018 and 2019. The gross profit margin of document imaging and scanning service increased to approximately 76.4% for the year ended 31 December 2018 mainly due to (i) decrease in ad-hoc jobs from two customers with lower unit prices and (ii) the decrease of staff cost of production and planning department and upkeep of assets in 2018. The gross profit margin of document imaging and scanning service increased to approximately 76.5% for the nine months ended 30 September 2019 compared to the same period in 2018 mainly due to the decrease in ad-hoc jobs from one customer with lower unit prices. The gross profit margin of enterprise software solutions maintained at a similar level for the three years ended 31 December 2018 and the nine months ended 30 September 2019.

Please refer to the sections headed “Financial Information – Revenue” and “Financial Information – Gross profit and gross profit margin” in this prospectus for details.

### Summary of consolidated statement of cash flows

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Cash flow from operations before movements in working capital	13,757	17,520	19,356	12,821	16,105
Changes in working capital	2,700	(6,911)	(5,349)	(2,000)	(5,890)
Income tax paid	<u>(3,578)</u>	<u>(3,528)</u>	<u>(4,727)</u>	<u>(3,707)</u>	<u>(4,224)</u>
Net cash from operating activities	12,879	7,081	9,280	7,114	5,991
Net cash (used in)/from investing activities	<u>(4,570)</u>	<u>(4,778)</u>	<u>6,709</u>	<u>5,909</u>	<u>(1,217)</u>
Net cash (used in)/from financing activities	<u>(470)</u>	<u>(5,593)</u>	<u>(3,757)</u>	<u>3,865</u>	<u>(2,262)</u>
Net change in cash and cash equivalents	7,839	(3,290)	12,232	16,888	2,512
Cash and cash equivalents at beginning of the reporting period	<u>1,570</u>	<u>9,409</u>	<u>6,119</u>	<u>6,119</u>	<u>18,351</u>
Cash and cash equivalents at the end of the reporting period	<u><u>9,409</u></u>	<u><u>6,119</u></u>	<u><u>18,351</u></u>	<u><u>23,007</u></u>	<u><u>20,863</u></u>

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### Key financial ratios

	As at 31 December		As at 30 September	
	2016	2017	2018	2019
Current ratio ( <i>times</i> )	3.6	1.7	5.3	7.4
Gearing ratio (%)	6.5	7.7	53.7	38.9

	Year ended 31 December		Nine months ended 30 September	
	2016	2017	2018	2019
Gross profit margin (%)	25.1	29.2	39.8	40.9
Net profit margin (%)	13.5	15.7	17.6	17.2
Return on total assets (%)	18.0	20.7	19.6	14.0
Return on equity (%)	23.7	37.0	33.7	21.0

Gearing ratio is calculated based on the total debt divided by the total equity as at the end of the respective year/period and multiplied by 100%. Debts are defined to include payables incurred not in the ordinary course of business. Our gearing ratio maintained at a low level of approximately 6.5% and 7.7% as at 31 December 2016 and 2017, respectively, and increased to approximately 53.7% as at 31 December 2018 mainly due to the bank loan of RM19.0 million drawn down in August 2018. Our gearing ratio decreased to approximately 38.9% as at 30 September 2019 mainly due to the repayment of the bank loan during the period.

The increase in gross profit margin for the year ended 31 December 2017 was mainly due to the increase of revenue by approximately RM2.8 million as a result of more outsourced document management services provided to our customers, and decrease of cost of sales by approximately RM0.8 million as a result of decrease in purchase of materials. The increase in gross profit margin for the year ended 31 December 2018 and the nine months ended 30 September 2019 was mainly attributable to (i) increase of electronic services such as electronic statements and delivery services and decrease of printing and mail fulfillment services provided to our customers under outsourced document management services due to the ongoing trend of the greater adoption of document digitalization within enterprises. Electronic services generally have higher gross profit margin as the process is highly automated using streamline applications while more cost was involved in printing and mail fulfillment services such as postage charge and materials; and (ii) decrease in cost of upkeep of assets due to the decrease of printing services provided and reduction in asset maintenance.

For details, please refer to the section headed “Financial Information – Key financial ratios” in this prospectus.

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### DIVIDEND

For the three years ended 31 December 2018 and the nine months ended 30 September 2019, we declared dividends in the amount of approximately RM750,000, RM19.8 million, RM7.0 million and nil, respectively. After the Track Record Period, our Group declared a dividend of RM13.0 million on 12 March 2020 and will be settled by payment in cash prior to the Listing. Approximately RM3.9 million of which will be used to settle the amounts due from related parties as at the same day. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors. Our Group does not have a pre-determined dividend payout ratio. Our Group currently does not have any specific dividend policy.

### RISK FACTORS

There are risks associated with any investment. The material risks relating to our business relate to (i) we may lose business from certain FI if our data centre cannot comply with our customers' requirements under the RMIT; (ii) our business is significantly dependent on several of our major customers in the banking and insurance industries and our relationship with them and we may be unable to attract or be successful in attracting new customers; (iii) any failure to recover software development costs could affect our business prospect and profitability; and (iv) our business relies significantly on the strength of our reputation as well as the trust and confidence of our customers. For further details, please refer to the section headed "Risk Factors" in this prospectus.

### CONTROLLING SHAREHOLDERS

Following the completion of the Reorganisation, the Capitalisation Issue and the Share Offer, the Controlling Shareholders, comprising Flash Dragon and Jupiter Rain, which are wholly-owned by Mr. F Ling and Mr. W Ling, respectively, are together entitled to control the exercise of the voting rights of 75.0% of the Shares eligible to vote in the general meeting of our Company. For further details, please refer to section headed "History, Reorganisation and Corporate Structure" in this prospectus.

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### LISTING EXPENSES

All incremental costs that are directly attributable to the issue of new shares are recognised and directly deducted from equity while any expenses attributable to listing of existing Shares are charged to the statement of profit or loss in the period in which the expenses are incurred. The total expenses for the Listing are estimated to be approximately RM26.0 million (equivalent to approximately HK\$49.2 million) (based on the Offer Price of HK\$0.68, being the mid-point of the indicative Offer Price range of HK\$0.63 to HK\$0.73 per Share), accounting for approximately 36.2% of the gross proceeds, of which approximately RM14.5 million (equivalent to approximately HK\$27.4 million) is directly attributable to the issue of new Shares in the Share Offer and to be accounted for as a deduction from equity and approximately RM4.0 million (equivalent to approximately HK\$7.6 million) has been charged to profit or loss for the year ended 31 December 2018 and approximately RM3.5 million and RM4.0 million (equivalent to approximately HK\$6.7 million and HK\$7.6 million) is to be charged to profit or loss for the year ended 31 December 2019 and the year ending 31 December 2020, respectively.

### COMPETITION

According to the CIC Report, our Group was ranked second in the document management services market in Malaysia in terms of revenue for the year ended 31 December 2019 and had a market share of approximately 11.7% in 2019. For further information, please refer to the section headed “Industry Overview – Analysis of the document management service market in Malaysia – Competitive landscape of the document management service market in Malaysia” in this prospectus.

### RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to actively market our Group’s products to new and existing customers. As at the Latest Practicable Date, our Group’s utilisation of our IT infrastructure had already achieved 100%. As at the Latest Practicable Date, we have signed an agreement with a new customer which is principally engaged in general insurance business in Malaysia to provide enterprise software solution services and we are in discussions with a total of nine customers on various projects requiring an additional 152 racks of storage space to host IT Infrastructures.

In July 2019, Bank Negara Malaysia issued the RMIT which sets out the technology risk management framework required by Bank Negara Malaysia and became effective on 1 January 2020. For details please refer to the section headed “Regulatory Overview” in this prospectus. All of our Group’s 43 racks have been relocated to the third-party Tier 3 data centre in January 2020. Our Group has reserved up to a total of 97 racks from the data centre to satisfy the expected demand from its customers before our Group’s new data centre is operational.

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Based on the unaudited management accounts of our Group for one month ended 31 January 2020, our revenue maintained at a similar level as compared to the corresponding period in 2019. Gross profit and gross profit margin increased for the one month ended 31 January 2020 as compared to that of the corresponding period in 2019 mainly due to the decrease of postage cost and staff cost. Administrative expenses decreased significantly for the one month ended 31 January 2020 as compared to that of the corresponding period in 2019 mainly due to the decrease of listing expenses. As a result, net profit of our Group for the one month ended 31 January 2020 increased as compared to the corresponding period in 2019.

### **Outbreak of Coronavirus (COVID-19)**

During the Track Record Period and as at the Latest Practicable Date, our Group's operations are carried out only in Malaysia and Singapore and our Group's customers are primarily located in Malaysia and only two are in Singapore. Going forward, the Group's strategies are only related to Malaysia and Singapore and therefore they would only be affected by potential further outbreaks of Coronavirus in Malaysia and Singapore. The increase in infections outside of these two countries has limited impact to our Group. Further, it should be noted that due to the nature of our operations, there is no requirement to conduct our business or service the customer face-to-face. This can be seen from the recent requests from customers to conduct meetings through conference calls. Having considered these factors, the further increase in infections globally (excluding Malaysia and Singapore) would have limited impact on the Group's operations.

In view of the outbreak of coronavirus (COVID-19) in Malaysia, we have considered its impact on our operations. Our Group's operations have not been materially affected as our business is primarily conducted in Malaysia and there are a limited number of known cases in Malaysia as at the Latest Practicable Date. Our Group's services do not require many face-to-face meetings with our Group's customers on a day to day basis given that the nature of our Group's business mainly involves data transmission to and from our customers. As at the Latest Practicable Date, our Group had not experienced any project suspension or cancellation. Moreover, most of our suppliers are located in Malaysia and we are not aware of any material disruption to the sourcing or delivery of raw materials from our suppliers. As at the Latest Practicable Date, our Group's paper and envelopes in stock, together with an order due to arrival in March 2020, is expected to meet our demand up to and including April 2020. Our Group's toner and parts in stock as at the Latest Practicable Date together with an order due to arrive in March 2020 is expected to meet our demands up to and including September 2020. Further, our Group's paper and envelope suppliers have confirmed that they have available stock to cover our needs for an additional six months.

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As part of our Group's business continuity plan ("BCP"), we have implemented measures the following measures:

- monitoring of staff, ensuring good personal hygiene practices are adopted by our staff, temperature screening, limitation of social contact within and outside of our workspace and cleaning of office premises; and
- taking measures to have sufficient stock for personal protective equipment, hand sanitizer and disinfectant products.

We have also reminded all staff that they are required to familiarise themselves with requirements of our business continuity plan and ensure that all the workers under their supervision fully comply with the requirements.

Please refer to the section headed "Business – Health and work safety matters – Hygienic working environment" in this prospectus for details of the precautionary measures taken by our Group in view of the outbreak of coronavirus (COVID-19) in Malaysia and the section headed "Financial Information – Recent Developments – Outbreak of coronavirus (COVID-19)" for further details on an analysis of its impact on our Group's operations.

Due to the nature of our Group's business operations and having taken into consideration of the above, our Directors believe that the coronavirus (COVID-19) has not had any material adverse impact on our operation and business of our Group and we have developed strategic pandemic planning to minimize and mitigate the potential impact of coronavirus outbreak on us.

With regard to our lease of racks at the third-party data centre, the third-party data centre provider has confirmed that their day-to-day operations have not been materially affected by the outbreak of the coronavirus (COVID-19), there is no difficulty in carrying out day-to-day operations going forward and they have adopted measures to curb and managing the coronavirus outbreak such as temperature screening and regular cleaning and such measures are still effective.

### **Current political change in Malaysia**

On 24 February 2020, the Malaysian Prime Minister, Mahathir Mohamad, submitted his resignation to the country's king. Although a new Prime Minister of Malaysia, Tan Sri Muhyiddin Bin Haji Muhammad Yassin has been appointed, the political turmoil may suppress investor confidence and pose uncertainties of fiscal stimulus package in the short term that was intended to lift Malaysia's economy. Further, the new Prime Minister has made the decision to move the next sitting of the Lower House from 9 March 2020 to 18 May 2020. The political uncertainty may exacerbate the pressure on Malaysian lawful currency Ringgit and may cause short term fluctuation on the Malaysian Ringgit, or slight depreciation against other foreign currencies. Since 24 February 2020, the date the Prime Minister of Malaysia announced his step down, the exchange rate of Malaysian Ringgit has depreciated only by 0.1% against USD up to the end of February 2020.

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According to our industry consultant, the impact of the political turmoil on our Group's operation is expected to be limited due to the following factors: 1) a new Prime Minister of Malaysia is appointed and the new cabinet has been formed, which is expected to stabilise the current political environment and alleviate the investors' concerns; 2) there is still room for the Central Bank of Malaysia for rate cuts to support economic growth due to the low inflation, which is expected to lift investor's confidence; 3) any potential change of regime in administration will have no impact on our Group's operation as none of our Group's business are related to government's procurement nor does our Group rely on the government for any of its business and 4) our Group's business involves long-term contracts with large financial institutions and the demand for document management services of these companies is less cyclical and the softening business environment tends to have limited impact on such demand.

Our Directors are of the view that the potential depreciation of the Malaysian Ringgit will not have a material adverse impact on our operation as the majority of the currency used for settlement is Malaysian Ringgit. Our Group has only two customers that settle invoices in Singapore dollars, representing approximately 1.5%, 1.2%, 0.4% and 8.4% of our total revenue during Track Record period, which is expected to result in a foreign exchange gain. Our Group has only two suppliers which require settlement in USD, representing approximately 0.6%, 0.6%, 0.5% and 2.2% of our total purchase during Track Record Period, which is immaterial.

Based on the above, our Directors are of the view that the resignation of the Prime Minister and the appointment of a new Prime Minister of Malaysia will not have material adverse impact on our operation.

### **MATERIAL ADVERSE CHANGE**

Our Directors have confirmed, after performing all due diligence work which our Directors consider appropriate, that, save and except the non-recurring listing expenses of approximately RM3.5 million and RM4.0 million (equivalent to approximately HK\$6.7 million and HK\$7.6 million) to be charged to profit or loss for the year ended 31 December 2019 and the year ending 31 December 2020, respectively, and declaration of dividend of RM13.0 million, details of which are set out in the paragraph headed "Listing Expenses" and "Dividend" above, respectively, there has been no material adverse change in our financial position or prospects since 30 September 2019 and up to the date of this prospectus.

### **REASONS FOR LISTING IN HONG KONG**

Given the successful completion of our Streamline Suite during the Track Record Period, the expected continued demand from customers for our Group's services, forecasted growth in demand in the industry by CIC and technical limitation of our existing operations, our Directors recognise the imminent need for further capital to expand our business. For information relating to the future prospects of the outsourced document management industry in Malaysia and Singapore, please refer to the section headed "Industry Overview" in this prospectus.



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## SUMMARY

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We believe that having a listing status in Hong Kong is beneficial to our Group as (i) it will enhance our corporate profile and recognition; (ii) it will provide an alternative to debt financing; (iii) it will increase market visibility of our Group in Malaysia and neighbouring countries, (iv) it will attract investors with different profiles such as private and institutional investors; and (v) we believe that Listing in Hong Kong is the primary choice of listing for companies in Asia.

For more information on our reasons for Listing, please refer to the section headed “Future Plans and Proposed Use of Proceeds” in this prospectus.

### OFFERING STATISTICS

	<b>Based on the minimum indicative Offer Price of HK\$0.63 per Share</b>	<b>Based on the maximum indicative Offer Price of HK\$0.73 per Share</b>
Market capitalisation <sup>(1)</sup>	HK\$504,000,000	HK\$584,000,000
Unaudited pro forma adjusted consolidated net tangible assets per Share <sup>(2)</sup>	<u>HK\$0.211</u>	<u>HK\$0.232</u>

*Notes:*

- (1) The calculation of the market capitalisation of our Company is based on 800,000,000 Shares in issue immediately following the completion of the Share Offer but does not take into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme.
- (2) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments set forth in Appendix II to this prospectus and on the basis that 800,000,000 Shares were in issue immediately following the completion of the Share Offer assuming (i) the Share Offer had been completed on 30 September 2019 and (ii) no exercise of the Over-allotment Option or exercise of any options which may be granted under the Share Option Scheme and no Shares which may be allotted, issued or repurchase by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.

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## SUMMARY

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### Use of proceeds

The aggregate net proceeds from the Share Offer (after deducting underwriting fees and estimated expenses in connection with the Share Offer, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$0.68 per Share (being the midpoint of the indicative Offer Price range of HK\$0.63 to HK\$0.73 per Share) will be approximately HK\$86.8 million. Our Directors intend to apply the net proceeds from the Share Offer as follows:

- approximately HK\$76.9 million (equivalent to approximately RM40.7 million), representing approximately 88.6% of the net proceeds will be used to increase our technological capability and capacity to develop into other market vertical/parallels;
  - approximately HK\$66.5 million (equivalent to approximately RM35.2 million) representing approximately 76.7% of the net proceeds will be used to build a new Tier 3 compliant data centre to meet with the RMIT requirements and upgrade our IT infrastructure for expanding our outsourced document management services and our enterprise software solutions;
  - approximately HK\$5.9 million (equivalent to approximately RM3.1 million) representing approximately 6.8% of the net proceeds will be used to strengthen our Group's technical operation support system;
  - approximately HK\$4.4 million (equivalent to approximately RM2.4 million) representing approximately 5.1% of the net proceeds will be used to expand our software development team to develop new applications without our Streamline Suite and front-end solutions; and
- approximately HK\$9.9 million (equivalent to approximately RM5.2 million), representing approximately 11.4% of the net proceeds will be used to expand our market presence locally and explore expansion regionally to capture further market share; and
  - approximately HK\$3.1 million (equivalent to approximately RM1.6 million) representing approximately 3.6% of the net proceeds will be used to step up our marketing and sale efforts to reach out to new customers;
  - approximately HK\$6.8 million (equivalent to approximately RM3.6 million) representing approximately 7.8% of the net proceeds will be used for potential strategic acquisition and business opportunities.

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## SUMMARY

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### **DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES**

Our Directors confirm that, except as otherwise disclosed in this prospectus, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under rules 13.13 to 13.19 of the Listing Rules.

We have included in Appendix III to this prospectus unaudited preliminary financial information for the year ended 31 December 2019, which is prepared in compliance with the content requirements as for preliminary results announcements under Rule 13.49 of the Listing Rules and has been agreed with the Reporting Accountants following their review under Practice Note 730 “Guidance for Auditors Regarding Preliminary Announcements of Annual Results” issued by the Hong Kong Institute of Certified Public Accountants.

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## DEFINITIONS

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

“24/7”	24 hours a day, 7 days a week
“Application Form(s)”	<b>WHITE</b> Application Form(s) and/or <b>YELLOW</b> Application Form(s), or where the context so requires, any of them to be used in connection with the Public Offer
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company approved and adopted on 11 March 2020 with effect from the Listing Date, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)” or “close associates”	has the same meanings ascribed thereto under the Listing Rules
“Bank Negara Malaysia”	the central bank of Malaysia
“Board of Directors” or “Board”	the board of Directors
“Bursa Malaysia”	the stock exchange of Malaysia
“Business Day”	any day (other than a Saturday, a Sunday or a public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“C Link Malaysia”	C Link Squared Sdn. Bhd., a company incorporated on 20 June 2018 under the laws of Malaysia which is 100% legally and beneficially owned by C-Link BVI immediately after the completion of the Reorganisation

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## DEFINITIONS

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“C-Link BVI”	C-Link Squared Limited, a BVI business company incorporated on 16 August 2018 under the laws of the BVI, which is held as to 100% legally and beneficially by our Company immediately after the completion of the Reorganisation
“Capitalisation Issue”	the issue of 599,999,800 Shares to our Shareholders to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the section headed “Statutory and General Information – A. Further information about our Company – 5. Resolutions in writing of our Shareholders passed on 11 March 2020” in Appendix V 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 Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chuenman Securities”	Chuenman Securities Limited, a corporation licensed to engage in type 1 (dealing in securities) regulated activity under the SFO, being one of the Joint Bookrunners, Joint Lead Managers and Underwriters to the Share Offer
“CIC”	China Insights Industry Consultancy Limited, an Independent Third Party, being the industry consultant
“CIC Report”	the industry report prepared by CIC and commissioned by our Company, summary of which is set out in the section headed “Industry Overview” in this prospectus
“close associates”	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“CNII”	Critical National Information Infrastructure
“Coeus Systems”	Coeus Systems Sdn. Bhd., a company incorporated in Malaysia on 12 July 2002 with limited liability and is an indirect wholly-owned subsidiary of our Company immediately after the completion of the Reorganisation
“Coeus BVI”	Coeus Systems (BVI) Limited, a BVI business company incorporated on 19 June 2018 under the laws of the BVI, which is held as to 100% legally and beneficially by the our Company immediately after the completion of the Reorganisation
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented and/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
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	C-Link Squared Limited, an exempted company incorporated in the Cayman Islands with limited liability on 13 June 2018 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 28 November 2018
“Compuforms”	Compugraphic Forms Sdn. Bhd., a company incorporated in Malaysia on 11 December 1982 with limited liability and is held as to 35% by Mr. Ling Siew Aun, 23% by Mr. S Ling, and 21% by each of Mr. F Ling and Mr. W Ling, respectively
“Compugraphic Media”	Compugraphic Media Sdn. Bhd., a company incorporated in Malaysia on 10 February 2000 with limited liability and is an indirect wholly-owned subsidiary of the Company

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## DEFINITIONS

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“Compugraphic BVI”	Compugraphic Media (BVI) Limited, a BVI business company incorporated on 19 June 2018 under the laws of the BVI, which is held as to 100% legally and beneficially by our Company immediately after the completion of the Reorganisation
“connected person(s)” or “core connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Concert Party Deed”	a confirmatory deed entered into between Mr. W Ling and Mr. F Ling dated 18 February 2019, details of which are set out in the paragraph headed “History, Reorganisation and Corporate Structure – Concert Party Deed” in this prospectus
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules. As at the date of this prospectus, the Controlling Shareholders of our Company are Flash Dragon, Jupiter Rain, Mr. F Ling and Mr. W Ling
“Deed of Indemnity”	the deed of indemnity dated 11 March 2020 entered into between the Controlling Shareholders in favour of our Company (for itself and as trustee for each of the other members of the Group), particulars of which are set out in the section headed “Statutory and General Information – G. Other information – 10. Taxation of holders of our Shares” in Appendix V to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 11 March 2020 entered into by the Controlling Shareholders in favour of our Company (for itself and for the benefits of each other member of our Group)
“Director(s)”	the director(s) of our Company
“Executive Director(s)”	executive Director(s) of our Company
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong

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## DEFINITIONS

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“Flash Dragon”	Flash Dragon Company Limited, a BVI business company incorporated on 11 June 2018 under the laws of the BVI which is 100% legally and beneficially owned by Mr. F Ling
“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries or, where the context otherwise requires, in respect of the period before our Company becoming the holding company of our present subsidiaries and the businesses carried on by them or their predecessors (as the case may be)
“Head & Shoulders Securities”	Head & Shoulders Securities Limited, a corporation licensed to engage in type 1 (dealing in securities), type 2 (dealing in future contracts) type 4 (advising on securities) regulated activities under the SFO, being one of the Joint Bookrunners, Joint Lead Managers and Underwriters to the Share Offer
“HKAS(s)”	Hong Kong Accounting Standards
“HKFRSs”	Hong Kong Financial Reporting Standards (which include HKASs) issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“HK\$” or “Hong Kong dollar(s)”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Computershare Hong Kong Investor Services Limited
“IAS”	International Accounting Standards
“IFRS”	International Financial Reporting Standards
“Independent Non-Executive Director(s)”	independent non-executive Director(s) of our Company



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## DEFINITIONS

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“Independent Third Party(ies)”	individual(s) or company(ies) which is/are independent of and not connected with any of the directors, chief executive, the controlling shareholders or the substantial shareholders of our Company or our subsidiaries or any of their respective associates within the meaning of the Listing Rules
“Issuing Mandate”	the general unconditional mandate given to our Board by our Shareholders relating to the issue of Shares, as further described under the section headed “Statutory and General Information – A. Further information about our Company – 5. Resolutions in writing of our Shareholders passed on 11 March 2020” in Appendix V to this prospectus
“Joint Bookrunners” and “Joint Lead Managers”	Chuenman Securities, Kingkey Securities, Ruibang Securities, Head & Shoulders Securities, Zeus Securities and Grand Moore
“Jupiter Rain”	Jupiter Rain Company Limited, a BVI business company incorporated on 12 June 2018 under the laws of the BVI which is 100% legally and beneficially owned by Mr. W Ling
“Kingkey Securities”	Kingkey Securities Group Limited, a corporation licensed to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, being one of the Joint Bookrunners, Joint Lead Managers and Underwriters to the Share Offer
“Latest Practicable Date”	9 March 2020, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares on the Main Board of the Stock Exchange first commence, which is expected to be on or about 27 March 2020

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## DEFINITIONS

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“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the main board of the Stock Exchange
“Malaysia Legal Adviser”	David Lai & Tan
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company approved and adopted on 11 March 2020 with effect from the Listing Date, as supplemented, amended or otherwise modified from time to time, a summary of which is contained in Appendix IV to this prospectus
“Ministry of Finance”	Ministry of Finance, a ministry of the Government of Malaysia
“MOSTI”	Ministry of Science, Technology and Innovation, a ministry of the Government of Malaysia
“Mr. F Ling”	Mr. Ling Sheng Hwang, the chairman of the Board, chief executive officer of our Company, an Executive Director as well as a Controlling Shareholder and the brother of Mr. W Ling and Mr. S Ling
“Mr. S Ling”	Mr. Ling Sheng Shyan, a non-executive Director and the brother of Mr. W Ling and Mr. F Ling
“Mr. W Ling”	Mr. Ling Sheng Chung, an Executive Director as well as a Controlling Shareholder and the brother of Mr. F Ling and Mr. S Ling
“NCSP”	National Cyber Security Policy
“New Shares”	the 200,000,000 new Shares being offered by our Company for subscription at the Offer Price under the Share Offer
“NTA”	the net tangible assets
“NYSE”	The New York Stock Exchange

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## DEFINITIONS

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“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for and issued, or purchased and sold, pursuant to the Share Offer, which will not be more than HK\$0.73 and is currently expected to be not less than HK\$0.63, such price to be determined in the manner further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares
“Over-allotment Option”	the option to be granted by our Company to the Placing Underwriters exercisable by Joint Lead Managers (for itself and on behalf of the Placing Underwriters), at their sole and absolute discretion, to require our Company to allot and issue up to an aggregate of 30,000,000 additional new Shares, representing 15.0% of the Offer Shares initially available under the Share Offer, at the Offer Price, to cover over-allocations in the Placing and/or to satisfy the obligation of the Stabilising Manager to return securities borrowed under the Stock Borrowing Agreement, subject to the terms of the Placing Underwriting Agreement
“per cent.” or “%”	per cent
“Placing”	the conditional placing of the Placing Shares at the Offer Price, subject to the terms and conditions described in this prospectus and the Placing Underwriting Agreement
“Placing Shares”	the 180,000,000 Shares initially being offered by our Company for subscription at the Offer Price under the Placing (subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” in this Prospectus)
“Placing Underwriter(s)”	the underwriter(s) of the Placing

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## DEFINITIONS

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“Placing Underwriting Agreement”	the conditional Placing underwriting agreement expected to be entered into on or about the Price Determination Date, by our Company, our Controlling Shareholders, the Sole Sponsor, the Joint Bookrunners and Joint Lead Managers and the Placing Underwriter(s)
“PRC” or “China”	the People’s Republic of China, which for the purpose of this prospectus, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Price Determination Agreement”	the agreement to be entered into by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on or before the Price Determination Date to record and fix the final Offer Price
“Price Determination Date”	on or about Friday, 20 March 2020 and, in any event, not later than 5:00 p.m. on Monday, 23 March 2020, on which the Offer Price will be determined for the purposes of the Share Offer
“Principal Share Registrar”	Estera Trust (Cayman) Limited, the Cayman Islands share registrar of our Company
“Public Offer”	the offer by our Company of the Public Offer Shares for subscription by the public in Hong Kong at the Offer Price (subject to the terms and conditions described in this prospectus and the Application Forms)
“Public Offer Shares”	the 20,000,000 Shares initially being offered by our Company for subscription at the Offer Price under the Public Offer (subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus)
“Public Offer Underwriter(s)”	the underwriter(s) of the Public Offer named in the paragraph headed “Public Offer Underwriters” under the section headed “Underwriting” in this prospectus

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## DEFINITIONS

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“Public Offer Underwriting Agreement”	the conditional Public Offer Underwriting Agreement dated 16 March 2020 relating to the Public Offer entered into by our Company, our Controlling Shareholder, the Sole Sponsor, the Joint Bookrunners and Joint Lead Managers and the Public Offer Underwriters, as further described in the section headed “Underwriting” in this prospectus
“R&D”	acronym for research and development
“Reorganisation”	the pre-listing reorganisation of our Group, further details of which are described under the section headed “History, Reorganisation and Corporate Structure – Reorganisation” in this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, as further described in the section headed “Statutory and General Information – A. Further information about our Company – 5. Resolutions in writing of our Shareholders passed on 11 March 2020” in Appendix V to this prospectus
“RM”	Ringgit, the lawful currency of Malaysia
“Ruibang Securities”	Ruibang Securities Limited, a corporation licensed to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, being one of the Joint Bookrunners, Joint Lead Managers and Underwriters to the Share Offer
“SGD”	Singapore Dollar, the lawful currency of the Republic of Singapore
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)

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## DEFINITIONS

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“Share Option Scheme”	the share option scheme conditionally adopted by our Company pursuant to a resolution passed by the Shareholders on 11 March 2020 as described in the section headed “Statutory and General Information – F. Share Option Scheme” in Appendix V to this prospectus
“Share Offer”	the Public Offer and the Placing
“Sole Sponsor” or “Grand Moore”	Grand Moore Capital Limited, a corporation licensed to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor to the Share Offer
“sq. ft.” and “sq. m.”	square feet and square metres, respectively
“Stabilising Manager”	Zeus Securities
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between the Stabilising Manager and Flash Dragon on or about the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the three years ended 31 December 2018 and the nine months ended 30 September 2019
“TSE”	The Tokyo Stock Exchange
“UAT”	user acceptance testing
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.”	the United States of America

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## DEFINITIONS

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“US\$” or “US dollar(s)”	US dollar(s), the lawful currency of the U.S.
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“ <b>WHITE</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicants’ own name(s)
“ <b>YELLOW</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“Zeus Securities”	Zeus Securities Limited, a corporation licensed to engage in type 1 (dealing in securities) regulated activity under the SFO, being one of the Joint Bookrunners, Joint Lead Managers and Underwriters to the Share Offer

*Unless otherwise stated, the conversion of RM into HK\$ in this prospectus is based on the exchange rate of RM1 to HK\$1.89.*

*Such conversions shall not be construed as representations that amounts in HK\$ will be or may have been converted into RM at such rates or any other exchange rates, or vice versa.*

*Any discrepancies in any table between the total shown and the sum of the amount (including the percentage) listed are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

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## GLOSSARY OF TECHNICAL TERMS

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*“This glossary contains explanations of certain terms used in this prospectus in connection with our Group’s business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.”*

“Blockchain technology”	a growing list of records, called blocks, which are linked using cryptography
“Bumiputera”	a Malaysian of indigenous Malay origin
“Bumiputera Status”	<p>companies in Malaysia falling into the below categories:</p> <ul style="list-style-type: none"><li>(i) company owned by Malaysian in terms of control and equity holding, board of directors, management, workers, structure/organisation chart and function of management at least 51% by Bumiputera. Remaining 49% shares can be owned by non-Bumiputera and foreigners.</li><li>(ii) executive director, operating director, general manager, and other important positions (key-post) must be held by at least 51% Bumiputera.</li><li>(iii) finance manager in terms of cheque signing and company’s important finance documents must be signed by Bumiputera.</li><li>(iv) the highest equity individual holder by percentage must be held by Bumiputera. Whereas, salary/ Employee’s Provident Fund contribution must be held by Bumiputera.</li></ul>
“Colocation Service”	provision of data centre infrastructure, managed services and technical support of the servers situated on the data centre
“CRACs”	a computer room air conditioning unit is a device that maintains the temperature, air distribution and humidity in a data room
“Cybercity”	a town located in Cyberjaya, Selangor, Malaysia with a science park as the core that forms a key part of the MSC



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## GLOSSARY OF TECHNICAL TERMS

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“data centre white space”	space in a data centre allocated for IT equipment
“DDoS”	distributed denial of service, a type of computer attack where multiple machines are operating together to attack one target computer system, in an effort to disable the target, either temporarily or permanently
“Dotnet”	a cross-platform, open source developer platform for building different types of application
“FI”	financial institution(s)
“Gbps”	gigabit per second
“HSSD”	High Sensitivity Smoke Detection
“ICR”	intelligent character recognition
“ID”	identification
“ICT”	information & communication technology
“IT”	information technology
“IT Infrastructure”	servers, networking and devices, cables and any other data centre computing, power and connectivity hardware
“Microsoft Windows”	a type of OS
“MICR”	magnetic ink character recognition, is a technology which allows the characters printed on the bottom of the cheque to be read by reader-sort machines
“MSC”	MSC Malaysia (formerly known as Multimedia Super Corridor in Malaysia), is a Special Economic Zone and high-technology business district in central-southern Selangor, Malaysia
“OCR”	optical character recognition
“OS”	operating system
“Linux”	a type of OS

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## GLOSSARY OF TECHNICAL TERMS

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“racks”	units of storage space in a data centre created by metal stacks or cabinets to host IT Infrastructure in an environment of temperature and humidity that allows the hardware to transmit, process, host, store, and deliver data
“SaaS”	software as a service/subscription
“SMS”	short message service
“TT”	telegraphic transfer
“Takaful”	a type of Islamic insurance, where members contribute money into a pool system in order to guarantee each other against loss or damage
“Unix”	a type of OS
“UPS”	uninterruptible power supply

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## FORWARD-LOOKING STATEMENTS

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### FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS MAY NOT MATERIALISE

This prospectus includes forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed “Summary”, “Risk Factors”, “Industry Overview”, “Business”, “Financial Information” and “Future Plans and Proposed Use of Proceeds” in this prospectus. These forward-looking statements include, without limitation, statements relating to our business objectives, strategies and plan of operation, our capital expenditure plans, financing sources, the amount and nature of, and potential for, future development of our business, our operations and business prospects, our dividend payment, if any, new halls under construction or planning, the regulatory environment of our industry in general, and general economic and political trends in Malaysia and other countries in which we conduct business or expect to conduct business.

The words “aim”, “anticipate”, “believe”, “can”, “consider”, “estimate”, “expect”, “seek”, “plan”, “intend”, “project”, “may”, “ought to”, “will”, “should”, “would” and “could”, or similar expressions or the negative thereof, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including:

- our business prospects, operating strategies and plan of operation;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, potential for and future development of our business;
- our operations and business prospects, including new locations of expansion;
- our overall financial condition and performance;
- our planned projects;
- the regulatory environment of our industry in general and restrictions that may affect the industry in which we operate;
- the general industry outlook, competition for our business activities and future development in our industry;

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## FORWARD-LOOKING STATEMENTS

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- macroeconomic measures taken by the Malaysian and Singapore governments to manage economic growth and general economic trends in Malaysia and Singapore, respectively;
- general political and economic conditions in Malaysia, Singapore and overseas;
- other statements in this prospectus that are not historical facts;
- realisation of the benefits of our future plans and strategies; and
- other factors beyond our Group's control.

We believe that the sources of information and assumptions contained in such forward-looking statements are appropriate sources for such statements and have taken reasonable care in extracting and reproducing such information and assumptions. We have no reason to believe that information and assumptions contained in such forward-looking statements are fake or misleading or that any fact has been omitted, which would render such forward-looking statements fake or misleading in any material respect.

The information and assumptions contained in the forward-looking statements have not been independently verified by us, our Controlling Shareholders, the Sole Sponsor, the Joint Bookrunners and Joint Lead Managers, any other party involved in the Share Offer or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made. Additional factors that could cause actual performance or achievements of our Group to differ materially include, but are not limited to, those discussed under the section headed "Risk Factors" in this prospectus and elsewhere in this prospectus.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements 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, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified with reference to the cautionary statements set forth in this section.

In this prospectus, statements of or references to our intentions or that of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

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## RISK FACTORS

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*Potential investors of the Offer Shares should carefully consider all of the information set out in this prospectus and, in particular, the following risks and special considerations associated with an investment in our Company before making any investment decisions in relation to our Company. If any of the possible events as described below materialises, our Group's business, financial position and prospects could be materially and adversely affected and the market price of the Offer Shares could fall significantly.*

*This prospectus contains certain forward-looking statements relating to our Group's plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results may differ materially from those as discussed in this prospectus. Factors that could contribute to such differences are set out below as well as in other parts in this prospectus.*

### RISKS RELATING TO OUR BUSINESS

**We may lose business from certain financial institutions if our data centre cannot comply with our customers' requirements under the Risk Management in Technology policy (the "RMIT")**

In July 2019, Bank Negara Malaysia issued the RMIT which sets out the technology risk management framework of financial institutions required by Bank Negara Malaysia which became effective on 1 January 2020 and this will include our customers which are also FI. As a service provider to FI, our FI customers require our Group's data centre be RMIT compliant and therefore we are proposing to upgrade our data centre. We propose the construction of our data centre after the receipt of net proceeds from the Listing and which is expected to be after 1 January 2020. We may also not be able to successfully set up a Tier 3 data center by the end of the transitional period granted by FI. If we cannot successfully set up a Tier 3 data center by the end of the transitional period and our customers will not extend any timing of the transitional period, our customers may terminate their agreements with our Group and our Group's operations and financial performance may in turn be adversely affected.

In the event that we are not able to find a suitable location to build our data centre and our contingency plan is unable to be implemented such that we our data centre is not ready by the end of 2021, we may not be able to comply the requirements of our FI customers which require our data centre to be Tier 3 compliant. If this happens, our FI customers may terminate any agreements we have signed with them and our Group's operations and financials may be materially and adversely effected.

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## RISK FACTORS

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During the Track Record Period, our FI customers accounted for approximately 80% of our Group's revenue. If our Group is unable to successfully build our data centre by 31 December 2021, our service contracts we have entered into with our FI customers may be terminated and adversely affect our Group's financial performance.

If we are unable to purchase a piece of land to build our new data centre and must implement our contingency plan to buy an existing building to convert it into a data centre, the total costs involved will be more higher.

**Our business is significantly dependent on several of our major customers in the banking and insurance industries and our relationship with them, and we may be unable to attract or be successful in attracting new customers**

Sales to our top five customers amounted to approximately 57.9%, 57.9%, 51.8% and 45.6% of our total revenue for the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively. In particular, sales to our largest customer amounted to approximately RM19.4 million, RM17.0 million, RM12.4 million and RM8.8 million, representing approximately 28.5%, 23.9%, 18.5% and 16.2% of our total revenue for the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively. Revenue contributed from our top five largest customers by related groups for the three years ended 31 December 2018 and the nine months ended 30 September 2019 accounted for approximately 68.2%, 67.7%, 67.2% and 61.4% of our total revenue of the same period, respectively. For the same period, revenue contributed from our largest customer by related groups accounted for approximately of 30.8%, 26.5%, 21.5% and 18.6% of our total revenue, respectively. Accordingly, our revenues would be significantly affected by whether these customers continue to use our services, as well as other factors affecting their operations, many of which are beyond our control. We expect that our present major customers will continue to account for a relatively large percentage of our revenues in the coming years. If our customers' operations are adversely affected by changes in the market, it may adversely affect the need for our services and our business and results of operations could be materially and adversely affected.

In addition to growing or maintaining our business with existing customers, the success of our business also depends on our ability to attract new customers. If we are unable to attract new customers in the banking and insurance or other industries, our business growth will be hampered and the results of operations may be materially and adversely affected.

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## RISK FACTORS

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### **Any failure to recover software development costs could affect our business prospects and profitability**

Our software development capability is one of the keys to our business growth and sustainability. Our IT department is responsible for the development of new features and component advancements of our software and for testing and ensuring functionality of our software. For the three years ended 31 December 2018 and the nine months ended 30 September 2019, our staff costs in relation to the development of software amounted to approximately RM0.9 million, RM0.9 million, RM1.2 million and RM1.0 million respectively, representing approximately 1.8%, 1.7%, 3.0% and 3.1% of our costs of sales respectively. These staff costs are capitalised as intangible assets and amortised to costs of sales over five years. If we are unable to capitalise these costs then the full amount needs to be charged as an expense during the relevant year and would have an adverse effect on our Group's profitability. Further, there is no guarantee that any software development activity would yield meaningful results or breed any revenue-generating products. Technical, operational, distribution or other problems may delay or prevent the introduction of new products or services to the market. Even if new products are developed and launched, there is no guarantee that they will be accepted by the market. The growth of our turnovers and profits in the future will heavily depend on the market performance of such new products. In the event that we fail to develop any new products, or our new products do not receive the expected market acceptance, our business prospects and profitability may be adversely affected.

### **Our business relies significantly on the strength of our reputation, as well as the trust and confidence of our customers**

We rely significantly on the strength of our reputation in order to generate demand for our products and services. Our reputation can be damaged by product defects, ineffective customer service, product liability claims, consumer complaints, allegations, or negative publicity or results which may erode our reputation and consumer acceptance of our products and services. In the event that our reputation is damaged or our consumers lose their trust and confidence in us, we may suffer a loss of revenue or market share, which could materially and adversely affect our business, financial condition and results of operations.

### **Our customers may switch to use internal data systems**

We believe that our customers such as financial institutions and insurance companies engage our Group's services as they are looking to focus on their core activities and reduce the amount of capital investment required for their operations. As such, our Group's business model is dependent on customers outsourcing part of their non-core related activities to third parties as our outsourcing business model offers them financial cost benefits such as lower initial capital investment. If our customers should decide to make a substantial capital investment in equipment or internalize operations which were previously outsourced, we may lose the business of these customers and this may have an adverse impact on our business and financial performance.

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## RISK FACTORS

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**We face competition, which could reduce our market share materially and adversely affect our results of operations and growth prospects**

The document management services market in Malaysia is highly competitive, rapidly evolving and subject to changing technology, shifting user needs and frequent introductions of new products and services. There are other software products and services in the market which serve purposes similar to the products and services offered by us. We face competition and compete primarily with other document management services providers in Malaysia. Our current or potential competitors may have greater operating experience and more financial, marketing and other resources than we do, which may offer them an advantage in developing software, conducting marketing and promotional activities and hiring talent, particularly, software developers. Increased competition may result in competitive pricing. If we fail to adjust our existing products and services to the needs of our customers and compete effectively, we may lose customers, our market share may decrease and our business, operating results, financial conditions and prospects will be materially and adversely affected.

**We may not be able to attract and retain skilled staff. Any shortfall in our skilled workforce or increase in staff costs may materially and adversely affect our business operations and financial performance, and we may not be able to execute our business strategies to drive our growth**

Our success depends heavily upon our ability to continue to attract, retain and motivate skilled personnel, especially IT staff that are responsible for our software development. Our staff costs and related expenses accounted for 9.6%, 10.0%, 11.8% and 10.8% of our costs of sales for the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively. Attracting, developing and retaining talent is an essential component of our business strategy. We may have to offer better salaries, incentive packages and training opportunities to attract and retain sufficient skilled staff to sustain our operations and our growth, which may increase our costs and reduce our profit margins. Experienced personnel in the software and IT industry are in high demand and competition for talent is intense. In particular, certain sections in the IT industry, such as cloud computing service, are relatively new and require the input of high-skilled personnel. Whilst there is a shortage of skilled and experienced IT professional in Malaysia, we cannot assure you that we will continue to be able to attract and retain a sufficient number of skilled staff for our existing and planned business operations. In the event that we cannot attract and retain a sufficient number of skilled staff for our existing and planned business operations, or at all, our business operations and financial performance may be materially and adversely affected, and we may not be able to execute our business strategies to drive our growth.



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## RISK FACTORS

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### **We rely on service suppliers to complete our Group's services**

As part of our Group's services, we rely on services provided by sole service providers for network services and postal services. As at the Latest Practicable Date, there are no other alternatives in the market that provide the same services. If any suitable service supplier is unavailable, our Group's operations may be materially affected. If a service provider's services do not meet our standards, it may affect our services provided to our customers, which in turn may harm our reputation and expose us to litigation and claims for damages.

### **Our expansion plan may not be successful**

In order to cope with the additional hardware required for our operation, it is our Group's strategic plan to build a new data centre in Cybercity, state of Selangor, Malaysia.

However, there is no assurance that we will be able to construct the same or in accordance with our proposed timeline. There are uncertainties such as delays and cost overrun which are beyond our control. Even if we can successfully set up a new data centre in Cybercity, we may have the problem of under-utilisation if demand for our services does not increase at the same rate. In the event that the above-mentioned uncertainties happen, there could be a material adverse effect on our performance and results of operation.

### **We may be subject to significant depreciation expenses from our proposed investment in a data centre**

Our consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"). According to IFRSs, depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their useful lives, using the straight-line method. The principal annual depreciation rates used were 2% for our buildings and from 10% to 20% for our plants and machineries, respectively, during the Track Record Period. For details of the depreciation expenses, please refer to the section headed "Accountants' report – Property, plant and equipment and depreciation" in Appendix I in this prospectus. We will commence construction of our data centre in the second quarter of 2020 by acquiring an additional piece of land, and we expect that we will be able to complete the building of the data centre by the end of the second quarter of 2021. For the year ending 31 December 2021 and 2022, we estimate that depreciation expenses associated with our data centre will be approximately RM1.1 million and RM2.2 million, respectively. Such depreciation expenses would have a negative effect on our profitability, results of operations and financial conditions.

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## RISK FACTORS

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### **Any failure to protect our intellectual property rights could reduce the value of our products, services and brands**

Our intellectual property rights are important assets to us. We use various intellectual property rights, in particular, software copyrights, in our daily business. Any unauthorised use of our domain names and/or other intellectual properties by our competitors in their corporate names or brands could harm our image and erode our competitive advantage. It is difficult to keep track of unauthorised use of our proprietary rights in our proprietary software. Further, our intellectual property is exposed to theft and other forms of misappropriation. The validity, enforceability and scope of protection of intellectual property in the software and IT industry are uncertain and evolving. Preventing unauthorised use of our intellectual property, including software copyright is therefore difficult, time-consuming and expensive, yet yielding limited and uncertain results. Misappropriation of our software copyright and other intellectual property could divert significant business to our competitors, damage our Group's reputation, and may require us to initiate litigation that could be expensive, time consuming and require us to divert management resources from the operation of our business.

### **Information handled by us may be accidentally leaked or misappropriated and result in an adverse effect on our reputation and business operations**

During the course of providing our products and/or services, we may have access to and be entrusted with information that is confidential in nature, such as information that relates to customers' systems, operations, raw data or affairs. We have adopted measures to protect the confidentiality of our customers' information. However, there is no assurance that the steps taken by us will successfully prevent any leakage or misappropriation of confidential information of our customers. Any leakage or misappropriation of confidential information of our customers could expose us to the complaints or claims from our customers or fines imposed on us, which may have a material and adverse effect on our reputation and business operations.

### **Our exposure to credit risk may adversely affect our business operations and financial position**

We are exposed to credit risk which may cause material financial loss to our Group if our counterparties fail to discharge their obligations. As at 30 September 2019, the trade receivables amounts to approximately RM20.8 million, representing approximately 41.7% of our Group's total current assets as at 30 September 2019. For further details, please refer to "Financial Information – Net Current Assets" of this prospectus.

Generally, we offer credit period of up to 60 days to our customers. Although we seek to maintain strict control over our outstanding receivables, there is no assurance that we could recover all or any part of the outstanding receivables within the credit period or at all. Our business operations and financial position may be materially and adversely affected if our customers fail to pay us on time or at all.

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## RISK FACTORS

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### **We may not be able to retain our core management team and key employees for our business operations**

Our continued success depends significantly on the ongoing management by our senior management and key employees. We rely on our management team comprising our Executive Directors and senior management as set out in the section headed “Directors and Senior Management” in this prospectus for their extensive knowledge and experience in our Group and the document management services industry, as well as their in-depth understanding of market conditions and the regulatory regime. Failure to retain any of these senior management members and key employees could adversely affect our ability to sustain and develop our business.

Furthermore, competition for qualified personnel in Malaysia is intense and the availability of suitable candidates is limited. Our competitors may seek to solicit our personnel and we may not be able to attract or retain suitably qualified personnel. Our failure to attract and retain qualified personnel could also materially and adversely affect our business, financial condition and results of operations.

### **Our insurance coverage may not be sufficient to cover all risks in relation to our business operations**

As at the Latest Practicable Date, we maintained various insurance policies, covering employee-related insurance and damage to certain fixed assets of the production facilities and equipment. However, we do not maintain business interruption insurance. Our products are designed to be used with our customers’ systems and hardware. Although we have quality and assurance procedures in place to test our software products, there is no assurance that all the bugs, errors or flaws in our software products have been detected and corrected. Any bugs, errors or flaws in our software products may cause damage to our customers’ and/or end-users’ system and hardware, and adversely affect our customers’ and/or end-users’ operations or the performance of such software products. As a result, we may incur additional costs in rectifying the defects or defending any potential claims from our customers. It may also affect our relationship with such customers and our reputation. At present, we do not maintain any product liability insurance. There can be no assurance that there will not be product liability claims in the future. A significant product liability claim may result in our incurring substantial costs and the diversion of resources. This could have an adverse effect on our results of operations and financial condition. Moreover, our insurance policies may include financial limits with respect to the losses from events for which we are insured. If we experience uninsured losses or losses in excess of our insurance coverage, it could materially and adversely affect our business, financial condition and results of operations. Please refer to the section headed “Business – Insurance” in this prospectus for further details of our insurance coverage.

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## RISK FACTORS

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### **Some of our bank borrowings contain repayable on demand clauses**

As at 31 December 2016, 2017, 2018 and 30 September 2019, we had interest-bearing bank and other borrowings of approximately RM2.5 million, RM2.3 million, RM18.8 million and RM17.2 million, respectively. The term loan agreement for the bank loan of RM19.0 million drawn down in August 2018 contains provisions that enable the borrowing bank to request for repayment on demand. We cannot assure you that the bank will not attempt to seek repayment on demand prior to the agreed maturity date without any breach of the terms of the term loan agreement on our part. The occurrence of this event may result in the incurrence of significant amount of costs and resources for objecting, defending and/or appealing to the applicable courts in connection to any aforesaid enforcement actions from the bank. In the event we fail to defend such enforcement actions, our Group may become liable to repay such term loan in full or in part prior to maturity, in which case our Group's liquidity and financial condition will be adversely affected.

### **Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control in the future may have a material adverse effect on our business, financial condition and results of operations**

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions we conduct our business, including our production facilities. These regions may be under the threat of natural disasters, such as typhoon, flood, drought, power shortages or failures, potential wars or terrorist attacks, riots, disturbances or strikes. Serious natural disasters may result in a tremendous loss of lives and injury and destruction of assets and disrupt our business and operations. Severe communicable disease outbreaks could result in a widespread health crisis that could materially and adversely affect business activities in the affected regions, which could therefore materially affect our operations. Acts of war or terrorism, riots or disturbances may also cause injuries or loss of lives to our employees, and disrupt our business network and operations. Any of these factors and other factors beyond our control could materially and adversely affect the overall business environment, as well as our business, financial condition and results of operations.

### **Our Group's operations may be affected by the coronavirus (COVID-19) outbreak**

The outbreak of the coronavirus (COVID-19) in China has brought about uncertainty to the economy in countries which have been affected. Due to the nature of our Group's business operations, our Directors believe that the coronavirus (COVID-19) does not have a significant direct adverse impact on our customers' demand for our Group's services. However, there is no assurance that there will not be any direct or indirect impact on our Group's operations as a result of any outbreak, exacerbation, continuance or recurrence of the coronavirus (COVID-19). If any of our employees are affected and are unable to duly execute their duties in providing any of our Group's services, this may have a material adverse impact on our Group's operations and financial

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## RISK FACTORS

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performance. Further, if any of our suppliers are affected by the coronavirus (COVID-19), and the supply of raw materials is disrupted, we may not have sufficient materials to meet our orders and which may affect our Group's ability to meet the demand of our customers and therefore this may also have a material adverse affect on our Group's operations and financial performance.

### **RISKS RELATING TO OUR INDUSTRY**

**Our business is subject to rapid changes and development in technology. Our efforts in developing, launching and promoting new products and enhancing our existing products may not be successful, and decline in customer usage of our products could affect our revenues**

The sustainability of our business in the future will depend on our understanding of our customers' demands and our ability to develop products that continue to meet our customers' requirements. If we are not able to anticipate, identify or adapt our products to such changes in market trends and preferences, our products may not be acceptable to our customers. Further, our business is subject to rapid changes and development in technology. Our future growth will also largely depend on our ability to continue to introduce new products. We cannot assure you that we will be able to introduce new or upgraded products to meet the changes in trends in a timely manner or at all. We also cannot predict nor guarantee the success and profitability of our new products which we may seek to introduce. All the above factors may materially and adversely affect our business, results of operations and financial condition.

### **Our technology infrastructure may experience unexpected system failure or interruption**

We rely on information technology systems to provide our document management services and operate business. For example, we utilize information technology to receive, process, transit, store and manage information data and flow, to and for (as applicable) our customers. Our technology infrastructure needs to cope with increasing usage, changing demands and expectations by customers, changing regulatory requirements on privacy policy, and rapidly evolving cybersecurity issues, to maintain the stable performance to support our business.

Our technology infrastructure may encounter disruptions or other outage caused by errors or defects in our own technologies and systems, such as malfunctions in software network overload or technical failure resulting from security attacks by hackers. Our growing operations will place increasing pressure on our servers and network capacities as we launch more software and further expand our customer base. We may encounter problems when upgrading our systems and encounter undetected programming errors, which could adversely affect the access to our services and the support we offer to our customers. Any such interruption to our information technology system could also disrupt our operations and negatively impact our production capacity and ability to fulfill sales orders, which could have an adverse effect on our business, financial condition and results of operations.

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## RISK FACTORS

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### RISKS RELATING TO CONDUCTING BUSINESS IN MALAYSIA

**Social, political, regulatory, economic and legal developments, as well as any changes in Malaysian government policies, could materially and adversely affect our Group's business and operating results**

Our Group's business, prospects, financial condition and results of operations may be adversely affected by the social, political, regulatory and economic developments in Malaysia. Uncertainties in these areas include, but not limited to, the risks of war, regional conflicts, terrorism, extremism, nationalism, nullification of contracts, changes in interest rates, imposition of capital controls, changes in government policies or introduction of new rules or regulations concerning subcontracting to third-parties, banking or insurance regulations and requirements of Bank Negara Malaysia. Any negative developments may adversely affect our Group's business, financial condition, results of operations and prospects. Our Group's primary market is Malaysia. As Malaysia is expected to remain as our Group's core market and place of operation in the foreseeable future, negative developments in the Malaysian economy may have a material adverse effect on our business. Although the overall Malaysian economic environment (in which our Group predominantly operates) appears to be positive, there can be no assurance that this will continue to prevail in the future.

In July 2019, Bank Negara Malaysia issued the RMIT which sets out the technology risk management framework required by Bank Negara Malaysia which became effective on 1 January 2020. The RMIT policy requires the FI to specify the resilience and availability objectives of its data centres which are aligned with its business needs.

Prior to our Group's data centre being up and ready, in order for our Group to comply with certain RMIT requirements by 1 January 2020 which may be applicable to service providers to FI, our Group has entered into an agreement with the owner of a Tier 3 data centre and obtained from the majority of our FI customers a consent to lease rack space from a third-party Tier 3 data centre for a period of not more than 24 months starting from 1 January 2020. Further details are set out in the section headed "Business – Our Business Strategies" in this prospectus.

On 24 February 2020, the Malaysian Prime Minister, Mahathir Mohamad, submitted his resignation to the country's king. As a result of his resignation, the new Prime Minister of Malaysia, Tan Sri Muhyiddin Bin Haji Muhammad Yassin has been appointed and decided to move the next sitting of the Lower House from 9 March 2020 to 18 May 2020. There may be changes to the political environment of Malaysia which may have material adverse impact on the economic environment of Malaysia and in the industry in which our Group operates and may in turn materially affect our Group's operations and our financial performance.

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## RISK FACTORS

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**We are affected by adverse changes to the tax policy in Malaysia and our results of operations would be materially and adversely affected.**

In the ordinary course of our business, we are subject to income tax and other taxation regulations and judgment is required in the determination of a provision for taxes. Pursuant to the Income Tax (Exemption) (No.2) Order 2017 gazetted on 10 April 2017, we enjoyed a special income tax exemption for the years of assessment 2017 and 2018, and accordingly we recorded income tax expense of approximately RM2.9 million, RM3.4 million, RM4.8 million and RM4.3 million for the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively. Our effective tax rates, representing income tax divided by profit before tax, were approximately 23.8%, 23.3%, 29.1% and 31.8% for the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively. However, there is no assurance that we could continue to enjoy such income tax incentive. Any change, suspension or termination of the preferential tax treatment to us could result in high effective tax rate and adversely affect our results of operations and financial position. During the Track Record Period our Group was subject to goods and services tax (“GST”) pursuant to the Goods and Services Tax 2014. Since 1 September 2018, we became subject to services tax (“SST”) under the Service Tax Act 2018 and Service Tax Regulations 2018. The implementation of the SST will not have any negative impact on the Group’s business and finance performance going forward, as the tax rate under the SST is, as at the Latest Practicable Date, the same as it was under the GST.

**The Malaysian Ringgit may be subject to foreign exchange controls imposed by Malaysian government in the future or may be subject to exchange rate fluctuations**

Bank Negara Malaysia has, in the past, intervened in the foreign exchange market to stabilise the Malaysian Ringgit, and it pegged the Malaysian Ringgit to the United States dollar in September 1998. On 21 July 2005, Bank Negara Malaysia adopted a managed float system which benchmarked the Malaysian Ringgit to a currency basket to ensure that the Malaysian Ringgit remains close to its fair value. Our Group cannot assure you that the Malaysian government will not impose more restrictive or additional foreign exchange controls. Any imposition, variation or removal of exchange controls may lead to less independence in the Malaysian government’s conduct of its domestic monetary policy and increased exposure of the Malaysian economy to the potential risks and vulnerability of external developments in the international markets. Furthermore, fluctuations in the Malaysian Ringgit’s value against other currencies will create foreign currency translation gains or losses and may have an adverse effect on our Group’s business, financial condition and results of operations. Any imposition, variation or removal of foreign exchange controls may adversely affect the value, translated or converted into United States dollars or Malaysian Ringgit, of our Group’s net assets, earnings or any declared dividends. Consequently, this may adversely affect our Group’s ability to pay dividends or satisfy other foreign exchange requirements.



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## RISK FACTORS

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As a result of the resignation of the Malaysian Prime Minister, Mahathir Mohamad, on 24 February 2020, the Malaysian Ringgit has slightly depreciated against other currencies. With the appointment of a new Prime Minister of Malaysia, Tan Sri Muhyiddin Bin Haji Muhammad Yassin, there is no assurance that the value of the Malaysian Ringgit will not further depreciate against other currencies. As our Group purchases certain raw materials from suppliers overseas and the settlement of purchases is required in foreign currencies, in particular, USD, the depreciation of the Malaysian Ringgit will increase foreign currency losses and may have an adverse impact on our Group's results of operations.

**It could be time consuming to enforce a foreign judgment against the Malaysian subsidiaries, the Directors or the management in Malaysia, as we are a Malaysia-based company, and our main assets are located in Malaysia**

Our Group's principal subsidiaries are incorporated under the laws of Malaysia. The majority of the Directors and members of management are residents of Malaysia and a substantial portion of the assets and the assets of these Directors and management are located in Malaysia. Enforceability of certain foreign judgments in Malaysia is by virtue of the Reciprocal Enforcement of Judgments Act 1958, in which a foreign judgment must be registered before it can be enforceable. The registration of such foreign judgments is only possible if the judgment is given by a superior court from a country listed in the First Schedule of the Reciprocal Enforcement of Judgments Act 1958, which includes United Kingdom, Hong Kong, Singapore, New Zealand, Republic of Sri Lanka, India and Brunei Darussalam. In the alternative, a foreign judgment can be enforced by the commencement of civil action in Malaysia court. As a result, it could be time consuming to enforce a foreign judgment against the Malaysian subsidiaries, the Directors and the management in Malaysia.

### **RISKS RELATING TO THE SHARE OFFER AND OUR SHARES**

**Our Shareholders' interests in our Company's share capital may be diluted in the future**

In order to expand our business, we may consider offering and issuing additional Shares or equity-linked securities in the future, which may result in dilution in our net tangible book value or earnings per Share. The Board has been granted a general mandate to issue Shares with an aggregate nominal value of not more than 20.0% of the aggregate nominal value of the ordinary share capital immediately following completion of the Listing, as described in the paragraph headed "Statutory and General Information – A. Further Information About Our Company" in Appendix V to this prospectus.



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## RISK FACTORS

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### **There is no existing public market for our Shares and their liquidity and market price may fluctuate**

Prior to the Listing, there was no public market for, and no established price for, our Shares. Our Company has made an application for the listing of, and permission to deal in, our Shares on the Stock Exchange. The Listing, however, does not guarantee that an active and liquid trading market for our Shares will develop or, if it does develop, that it will be sustained following the Listing or that the market price of our Shares will not fluctuate following completion of the Listing. The price and trading volume of our Shares may be volatile. Factors such as the following may affect the volume and price at which our Shares will trade:

- actual or anticipated fluctuations in our results of operations;
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general economic, market or regulatory conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies and other industries; and
- other events or factors beyond our Group's control.

### **Future issues, offers or sales of our Shares may adversely affect the prevailing market price of our Shares**

Future issues of our Shares by our Company or the disposal of our Shares by any of our Shareholders or the perception that such issues or sale may occur, may negatively affect the prevailing market price of our Shares. Moreover, future sales or perceived sales of a substantial amount of our Shares or other securities relating to our Shares in the public market may cause a decrease in the market price of our Shares, or adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. Our Shareholders may experience dilution in their holdings in the event we issue additional securities in future offerings.

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## RISK FACTORS

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### **We may not declare dividends on our Shares in the future**

For the three years ended 31 December 2018 and the nine months ended 30 September 2019, we declared dividends of RM750,000, RM19.8 million, RM7.0 million and nil, respectively. After the Track Record Period, our Group declared a dividend of RM13.0 million and will be settled by payment in cash prior to the Listing. Whether we pay a dividend and the amount of such dividend will depend on our results of operations, cash flows, financial condition, cash dividends we receive from our subsidiaries, future business prospects, statutory and regulatory restrictions and other factors that our Directors deem relevant. As a Cayman Islands company, any dividend recommendation will be at the absolute discretion of our Directors. There is no assurance that dividends of any amount will be declared or distributed in any year.

### **You may not be able to participate in rights offerings or to elect to receive stock dividends and may experience dilution of your shareholdings**

We may, from time to time, distribute rights to our Shareholders, including rights to acquire securities, including our Shares. We will not distribute rights to holders of the Shares in the United States unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the U.S. Securities Act, or are registered under the U.S. Securities Act. There can be no assurance that we will be able to establish an exemption from the registration requirements under the U.S. Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective under the U.S. Securities Act. Accordingly, holders of the Shares in the United States may be unable to participate in rights offerings and may experience dilution of their shareholdings in us as a result. In addition, if we are unable to sell rights that are not exercised or not distributed or if the sale is not lawful or reasonably practicable, we will allow the rights to lapse, in which case holders of the Shares will receive no value for these rights. We may, from time to time, offer a stock dividend election to all holders of our Shares, subject to applicable securities laws, in respect of future dividends. We will not, however, permit holders of our Shares to exercise such election unless the issuance of our Shares pursuant to such election is either exempt from registration under the U.S. Securities Act or registered under the U.S. Securities Act. There can be no assurance that we will be able to establish an exemption from the registration requirements under the U.S. Securities Act, and we are under no obligation to file a registration statement with respect to Shares issuable pursuant to these elections or to endeavour to have a registration statement declared effective under the U.S. Securities Act. In addition, we may choose not to offer such election to certain holders of our Shares, and may instead offer those holders of the Offer Shares dividends in the form of cash only. Accordingly, holders of Shares in the United States may be unable to elect to receive dividends in the form of our Shares rather than cash and may experience dilution of their shareholdings in us as a result.

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## RISK FACTORS

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**Prospective investors should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media, including, in particular, any financial projections, valuations or other forward-looking information**

We wish to emphasise to prospective investors that we do not accept any responsibility for the accuracy or completeness of any press articles or other media and that such press articles or other media were not prepared or approved by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information, or of any assumptions underlying such projections, valuations or other forward-looking information, included in or referred to by the media. To the extent that any such statements are inconsistent, or conflict, with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors should not rely on any such information contained in press articles or other media. Prospective investors making a decision as to whether to apply for the Shares should rely solely on the information contained in this prospectus and the Application Forms and not place any reliance on any other information.

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

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In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

**MANAGEMENT PRESENCE IN HONG KONG**

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since our principal business operations are located in Malaysia and will continue to be based in Malaysia, our Executive Directors and senior management members (other than Mr. Lam Yin Yam, our group financial controller) are and will continue to be based in Malaysia. At present, none of our Executive Directors are ordinarily resident in Hong Kong. We have applied to the Stock Exchange for, and obtained, a waiver from strict compliance with the requirements set out in Rule 8.12 of the Listing Rules subject to the following conditions:

- (a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal channel of communication with the Stock Exchange. The two authorised representatives are Mr. F Ling, our Executive Director, and Ms. Chan Lok Yee (陳樂而), our company secretary. Currently, Ms. Chan ordinarily resides in Hong Kong. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by their office phone numbers, mobile phone numbers, email addresses and correspondence addresses, facsimile numbers, and any other contact details prescribed by the Stock Exchange from time to time. Each of the authorised representatives has been duly authorised to communicate on our behalf with the Stock Exchange. Mr. F Ling has confirmed that he possesses valid travel documents to Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required;
- (b) our authorised representatives have means of contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. To enhance communication between the Stock Exchange, the authorised representatives and our Directors, our Company has implemented a policy whereby (i) each Director will provide his/her office phone number, mobile phone number, office facsimile number and email address to the authorised representatives; (ii) each Director will provide valid phone numbers or means of communication to the authorised representatives when he/she travels; and (iii) all Directors will provide their mobile phone numbers, office phone numbers, email addresses and office facsimile numbers to the Stock Exchange;

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

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- (c) our Company has, in accordance with Rule 3A.19 of the Listing Rules, also appointed Grand Moore Capital Limited as its compliance adviser, who will act as an additional channel of communication between our Company and the Stock Exchange. The compliance adviser will advise on the ongoing compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the Listing Date at least until 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 have access at all times to the authorised representatives, the Directors and the other senior management members of our Company to ensure that it is in a position to provide prompt responses to the enquiries or requirements raised by the Stock Exchange in respect of our Company;
- (d) meetings between the Stock Exchange and our Directors can be arranged through our authorised representatives or our Company's compliance adviser, or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorised representatives and compliance adviser; and
- (e) each Director who is not ordinarily resident in Hong Kong has confirmed that he or she possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request.

**WAIVER FROM STRICT COMPLIANCE WITH RULES 4.04(1) AND 13.49(1) OF THE  
LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH SECTION  
342(1) OF THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS)  
ORDINANCE IN RELATION TO PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF  
PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND  
MISCELLANEOUS PROVISIONS) ORDINANCE**

Rule 4.04(1) of the Listing Rules requires that the accountants' report to be included in a listing document must include the consolidated results of the listing applicant in respect of each of the three financial years immediately preceding the issue of the listing document or such shorter period as may be acceptable to the Stock Exchange.

Rule 13.49(1) of the Listing Rules requires a listed issuer to publish its preliminary results for each financial year not later than three months after the end of the financial year.

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

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Section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and set out the reports specified in Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance prescribes that a statement as to the gross trading income or sales turnover of the listing applicant for each of the three financial years immediately preceding the issue of the prospectus including an explanation of the method used for the computation of such income or turnover, and a reasonable breakdown between the more important trading activities, be included in the prospectus.

Paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance further prescribes that a report by the auditors of the listing applicant with respect to (i) the profits and losses of the listing applicant for each of the three financial years immediately preceding the issue of the prospectus; and (ii) the assets and liabilities of the listing applicant at the last date to which the financial statements of the listing applicant were made up, be included in the prospectus.

Pursuant to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from strict compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

The Accountants' Report for each of the three years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2019 has been prepared and is set out in Appendix I to this prospectus. Pursuant to the relevant requirements set forth above, our Company is required to produce three full years of audited accounts for the years ended 31 December 2017, 2018 and 2019.

Accordingly, an application was made to the Stock Exchange for a waiver from strict compliance with Rules 4.04(1) and 13.49(1) of the Listing Rules, and such waiver was granted by the Stock Exchange on the conditions that:

- (i) our Company be listed on the Stock Exchange on or before 31 March 2020;

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

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- (ii) our Company must obtain a certificate of exemption from the SFC from the requirements under section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (iii) this prospectus must include the financial information for the financial year ended 31 December 2019 (being the reporting period to which its first annual result and first annual report relate) and a commentary on the results for the year. Such financial information to be included in this prospectus must (a) be prepared in compliance with the content requirements as for a preliminary results announcements under Rule 13.49 of the Listing Rules; and (b) be agreed with the Reporting Accountants following their review under Practice Note 730 “Guidance for Auditors Regarding Preliminary Announcements of Annual Results” issued by the Hong Kong Institute of Certified Public Accountants; and
- (iv) our Company will not be in breach of its constitutional documents or laws and regulations of its place of incorporation or other regulatory requirements regarding its obligation to publish annual results announcements and distribute annual reports and accounts.

An application has also been made to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and a certificate of exemption has been granted by the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

- (i) the particulars of the exemption be set forth in this prospectus; and
- (ii) this prospectus be issued on or before 17 March 2020 and our Company be listed on the Stock Exchange on or before 31 March 2020, i.e. within three months after the latest financial year end.

The applications to Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance were made on the grounds that strict compliance with the above requirements would be unduly burdensome and the exemption would not prejudice the interest of the investing public given the following:

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

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- (i) if the full-year audited results for the financial year ended 31 December 2019 are to be included, there will be a significant delay in the listing timetable. If the financial statements are required to be audited up to 31 December 2019, our Company and the Reporting Accountants would have to undertake a considerable amount of work to prepare, update and finalise the Accountants' Report to cover such additional period. It would be unduly burdensome for our Company to produce, and its auditors to audit the financial statements for the financial year ended 31 December 2019 to meet the proposed listing timetable. Our Directors considered that the benefits of such work may not justify the additional work and expenses involved and the significant delay in the listing timetable, given that there has been no significant change in the financial and trading position or prospects of our Group since 30 September 2019 (being the date to which the latest audited consolidated financial statements were made up); and
- (ii) the Directors and the Sole Sponsor have confirmed that, after performing sufficient due diligence, that there has been no material adverse change in the Group's business, assets and liabilities, financial position, trading position, management and prospects since 30 September 2019 (being the date to which the latest audited consolidated financial statements were made up) and up to the date of this prospectus. Our Company is of the view that the information contained in the Accountants' Report of our Group (as set out in Appendix I to this prospectus), the unaudited pro forma financial information as set out in Appendix II to this prospectus and the unaudited preliminary financials for the financial year ended 31 December 2019 as set out in Appendix III to this prospectus already provided potential investors with all information that is reasonably necessary for them to make an informed assessment of the activities or financial and trading position or prospects of our Group, and an exemption from compliance with the relevant requirements would not prejudice the interests of the investing public.

**PUBLICATION OF PRELIMINARY RESULTS**

Pursuant to Rule 13.49(1) of the Listing Rules, an issuer is required to publish its preliminary results in respect of each financial year as soon as possible, but in any event not later than three months after the end of the financial year.

Our Company has included in this prospectus the unaudited financial information and a commentary on the results of our Company for the year ended 31 December 2019 (being the reporting period to which its first annual result and first annual report relate). Our Company is of the view that strict compliance with Rule 13.49(1) of the Listing Rules would be unduly burdensome given that (i) our Company will include in this prospectus the preliminary financials for the financial year ended 31 December 2019 prepared in compliance with the content requirements as for a preliminary results announcements under Rule 13.49 of the Listing Rules; and (ii) given the short timeframe between the date of publication of this prospectus and the required date of publication of the preliminary financial results, this prospectus already contained such other information sufficiently updated for the benefits of our Shareholders and the investing public. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 13.49(1) of the Listing Rules in respect of the publication of the preliminary results announcement for the year ended 31 December 2019.



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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### 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 with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief that 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 or omission of which would make any statement herein or this prospectus misleading.

Copies of this prospectus required by the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance are available, for information purpose only, at the respective offices of the Joint Lead Managers and the Underwriters during normal office hours from 9:00 a.m. to 5:00 p.m. from Tuesday, 17 March 2020 to Friday, 20 March 2020 (both dates inclusive).

### FULLY UNDERWRITTEN

The Share Offer comprises the Public Offer and the Placing. The Share Offer is an offer of 20,000,000 New Shares under the Public Offer (subject to adjustment) and 180,000,000 New Shares under the Placing (subject to adjustment and the Over-allotment Option), in each case at the Offer Price. Details of the structure of the Share Offer are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus. This prospectus is published solely in connection with the Public Offer which forms part of the Share Offer. For applicants under the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer.

The Listing is sponsored by the Sole Sponsor. The Public Offer will be fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to the agreement to the Offer Price between our Company and the Joint Lead Managers. The Share Offer is managed by the Joint Lead Managers. The Placing will be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on or around Friday, 20 March 2020, but in any event no later than Monday, 23 March 2020 at 5:00 p.m. (Hong Kong time). The Offer Price will be not more than HK\$0.73 per Offer Share and is currently expected to be not less than HK\$0.63 per Offer Share, unless otherwise announced. Investors applying for the Public Offer Shares must pay, on application, the maximum Offer Price of HK\$0.73 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.73 per Offer Share.

If, for any reason, the Offer Price is not agreed among our Company and the Joint Lead Managers on or before 5:00 p.m. on Monday, 23 March 2020, the Share Offer will not proceed and will lapse.

### RESTRICTIONS ON SALE OF OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the U.S., except in compliance with the relevant laws and regulations of each of such jurisdiction.

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 related Application Forms. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Share Offer.

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

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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Prospective applicants for 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 for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

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

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme).

No part of the Share or loan capital of our Company is listed or dealt in on any other stock exchange and, at present, no such listing or permission to deal is being or is proposed to be sought on any other stock exchange in the near future.

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. Accordingly, a total of 200,000,000 Offer Shares, which represent 25% of the enlarged issued share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) will be made available under the Share Offer.

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

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and 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 any other date determined by HKSCC. Settlement of transactions between participants of the Stock Exchange 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. All necessary

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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arrangements have been made for our Shares to be admitted into CCASS. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing, purchasing, holding, disposing or dealing in the Shares. It is emphasised that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents or advisers or any other party involved in the Share Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription, purchase, holding, disposal or dealing of Shares.

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

All the Public Offer Shares and the Placing Shares will be registered on our Company's branch share register to be maintained in Hong Kong by the Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members will be maintained in the Cayman Islands by the Principal Share Registrar. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on the Stock Exchange unless the Stock Exchange otherwise agrees.

Dealings in our Shares registered at our branch register of members in Hong Kong will be subject to Hong Kong stamp duty. For further details about Hong Kong stamp duty, please refer to the section headed "Statutory and General Information – G. Other Information – 10. Taxation of holders of our Shares" in Appendix V to this prospectus.

Unless our Company determines otherwise, dividends payable in HK\$ in respect of the Shares will be paid by cheque sent at the Shareholder's risk to the registered address of each Shareholder or, in the case of joint holders, the first-named holder.

### **PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES**

The procedure for applying for the Public Offer Shares is set out under the section headed "How to apply for Public Offer Shares" in this prospectus and on the relevant Application Forms.

### **STRUCTURE OF THE SHARE OFFER**

Details of the structure of the Share Offer, including its conditions, are set out under the section headed "Structure and Conditions of the Share Offer" in this prospectus.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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

Details of the arrangements relating to the Over-allotment Option and the related stabilisation exercise are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

### **STOCK BORROWING ARRANGEMENT**

Details of the stock borrowing arrangement are set out in the section headed “Structure and Conditions of the Share Offer – Stock Borrowing Arrangement” in this prospectus.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on the Stock Exchange are expected to commence on or about Friday, 27 March 2020. Shares will be traded in board lots of 4,000 Shares each.

### **ROUNDING**

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

### **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

### **TRANSLATIONS**

Unless otherwise specified, amounts denominated in RM have been translated, for the purpose of illustration only, into HK\$ (or vice versa) in this prospectus at the following exchange rates:

RM1.0: HK\$1.89

No representation is made that any RM amounts were or could have been or could be converted into HK\$, at such rate or any other rate on any date.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### DIRECTORS

Name	Residential address	Nationality
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#### Executive Directors

Mr. Ling Sheng Hwang	21 Amarin Kiara Jalan Desa Kiara 1 Mont Kiara 50480 Kuala Lumpur W. Persekutuan (KL) Malaysia	Malaysian
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Mr. Ling Sheng Chung	FG-02 Kiaramas Ayuria Condo 9 Jalan Kiara 7 Mont Kiara 50480 Kuala Lumpur W. Persekutuan (KL) Malaysia	Malaysian
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#### Non-executive Director

Mr. Ling Sheng Shyan	77, Taman Berjaya Pulau Tikus 10350 George Town Pulau Pinang Malaysia	Malaysian
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#### Independent Non-Executive Directors

Ms. Eugenia Yang (楊元晶)	10/F, 3B Glee Path Mei Foo Sun Chuen Kowloon Hong Kong	Australian
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Mr. Lee Yan Kit (李殷傑)	Flat D, 11/F, Block 16 51 Wharf Road Provident Centre North Point Hong Kong	Chinese
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Mr. Wong Son Heng	19 Jalan Angsana Sd 2/2F Bandar Sri Damansara 52200 Kuala Lumpur Malaysia	Malaysian
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Further information on our Directors is disclosed in the section headed “Directors and Senior Management” in this prospectus.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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**Sole Sponsor**

**Grand Moore Capital Limited**

Unit 1607, 16/F  
Silvercord Tower 1  
30 Canton Road, Tsim Sha Tsui  
Kowloon, Hong Kong

*A corporation licensed by the SFC to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO*

**Joint Bookrunners,  
Joint Lead Managers and  
Public Offer Underwriters**

**Chuenman Securities Limited**

Office A, 10/F Sang Woo Building,  
227-228 Gloucester Road,  
Wan Chai, Hong Kong

**Ruibang Securities Limited**

9/F Sang Woo Building,  
227-228 Gloucester Road,  
Wan Chai, Hong Kong

**Kingkey Securities Group Limited**

44/F Convention Plaza Office Tower,  
1 Harbour Road,  
Wan Chai, Hong Kong

**Head & Shoulders Securities Limited**

Room 2511, 25/F, Cosco Tower  
183 Queen's Road Central  
Hong Kong

**Zeus Securities Limited**

2220, Jardine House,  
1 Connaught Place,  
Hong Kong

**Grand Moore Capital Limited**

Unit 1607, 16/F  
Silvercord Tower 1  
30 Canton Road, Tsim Sha Tsui  
Kowloon, Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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**Legal advisers to our Company**    *As to Hong Kong law*

**H.M. Chan & Co. in association with  
Taylor Wessing**  
21/F, No. 8 Queen's Road Central  
Hong Kong

*As to Malaysia law*

**David Lai & Tan**  
Level 8-3 & 8-4  
Wisma Miramas  
No 1 Jalan 2/190E  
Taman Desa, Jalan Klang Lama  
58100 Kuala Lumpur  
Malaysia

*As to Cayman Islands law*

**Appleby**  
2206-19 Jardine House  
1 Connaught Place  
Central, Hong Kong

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

*As to Hong Kong law*

**Gallant**  
5/F, Jardine House  
1 Connaught Place  
Central, Hong Kong

**Reporting Accountants**

**Ernst & Young**  
*Certified Public Accountants*  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

**Auditors**

**Ernst & Young PLT**  
*Chartered Accountants*  
Level 23A, Menara Milenium  
Jalan Damanlela, Pusat Bandar Damansara  
50490 Kuala Lumpur, Malaysia



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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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<b>Industry Consultant</b>	<b>China Insights Industry Consultancy Limited</b> 10/F, Tomorrow Square 399 West Nanjing Road Huangpu District Shanghai PRC
<b>Compliance adviser</b>	<b>Grand Moore Capital Limited</b> Unit 1607, 16/F Silvercord Tower 1 30 Canton Road, Tsim Sha Tsui Kowloon Hong Kong
<b>Receiving bank</b>	<b>DBS Bank (Hong Kong) Limited</b> 11/F Floor, The Center, 99 Queen's Road Central Hong Kong

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## CORPORATE INFORMATION

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<b>Registered office</b>	PO Box 1350, Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Principal place of business in Hong Kong</b>	Room 1901, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
<b>Headquarters and principal place of business</b>	No. 1, Persiaran Sungai Buloh Taman Industri Sungai Buloh Kota Damansara 47810 Petaling Jaya Selangor Malaysia
<b>Company website</b>	www.clinksquared.com <i>(Note: The contents of this website do not form part of this prospectus)</i>
<b>Company secretary</b>	Ms. Chan Lok Yee (陳樂而), ACS Room 1901, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
<b>Authorised representatives</b>	Mr. Ling Sheng Hwang 21 Amarin Kiara Jalan Desa Kiara 1 Mont Kiara 50480 Kuala Lumpur W. Persekutuan (KL) Malaysia  Ms. Chan Lok Yee (陳樂而), ACS Room 1901, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong

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## CORPORATE INFORMATION

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<b>Audit committee</b>	Mr. Wong Son Heng ( <i>Chairman</i> ) Mr. Ling Sheng Shyan Mr. Lee Yan Kit (李殷傑) Ms. Eugenia Yang (楊元晶)
<b>Remuneration committee</b>	Mr. Wong Son Heng ( <i>Chairman</i> ) Mr. Ling Sheng Hwang Mr. Ling Sheng Chung Mr. Lee Yan Kit (李殷傑) Ms. Eugenia Yang (楊元晶)
<b>Nomination committee</b>	Mr. Ling Sheng Hwang ( <i>Chairman</i> ) Mr. Ling Sheng Chung Mr. Lee Yan Kit (李殷傑) Ms. Eugenia Yang (楊元晶) Mr. Wong Son Heng
<b>Cayman Islands principal share registrar and transfer office</b>	Estera Trust (Cayman) Limited PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Hong Kong Branch Share Registrar</b>	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wan Chai, Hong Kong
<b>Principal bankers</b>	CIMB Bank Berhad 43-G Jalan PJU 5/20 The Strand Pusat Perdagangan Kota Damansara Kota Damansara 47810 Petaling Jaya Selangor Malaysia

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## INDUSTRY OVERVIEW

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*The information presented in this and other sections of this prospectus, including certain facts, statistics, and data, is extracted from the CIC Report as issued by CIC, which was commissioned by us and based on various official government publications and other publicly available sources, unless otherwise indicated. We believe that the sources of such information are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. The information and statistics included herein have not been independently verified by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, or representatives, or any other person involved in the Share Offer, and no representation is given as to the accuracy, completeness, or fairness of such information. Accordingly, such information should not be unduly relied upon.*

### SOURCE OF INFORMATION

We commissioned CIC, a market research and consulting company founded in Hong Kong and engaged in the provision of professional consulting services across a range of industries, to produce a report on the document management service market in Malaysia and Singapore. The CIC Report was prepared by CIC independent of our influence. The fees paid for the preparation of the CIC Report amounted to HK\$930,000, which we believe reflects the market rate for such reports.

The information and data collected by CIC have been analysed, assessed, and validated using CIC's in-house analysis models and techniques. Primary research was conducted via interviews with key industry experts and leading industry participants. Secondary research involved analyzing market data obtained from several publicly available data sources, such as the International Monetary Fund, the Department of Statistics Malaysia, the Singapore Department of Statistics, industry associations, etc. The methodology used by CIC is based on analyzing information gathered from multiple levels and ensures that this information is cross-referenced for reliability and accuracy.

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## INDUSTRY OVERVIEW

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The CIC Report contains a variety of market projections which were produced with the following key assumptions: (i) the overall social, economic, and political environment in both Malaysia and Singapore are expected to remain stable during the forecast period; (ii) related key industry drivers are likely to propel continued growth in Malaysia's and Singapore's respective document management service markets throughout the forecast period, including increasing expenditures in the information and communications technology markets, increasing expenditures on enterprise application software, the promotion of paperless offices, the provision of incentive schemes by governments, and increasing labor costs that encourage enterprises to outsource non-core business processes; and, (iii) there is no extreme *force majeure* or unforeseen set of industry regulations in which the market may be affected in either a dramatic or fundamental way. CIC believes that the assumptions used in preparing the CIC Report, including those used to make future projections, are factual, correct, and not misleading. The reliability of the CIC Report may be affected by the accuracy of the foregoing assumption and factors as well as the choice of primary and secondary sources.

Our Directors confirm that after making reasonable enquiries, there had been no material adverse change in the market information since the date of the CIC Report which may qualify, contradict, or have an impact on the information as set out in this section.

Except as otherwise mentioned, all data and forecasts contained in this section have been extracted from the CIC Report.

### OVERVIEW OF THE DOCUMENT MANAGEMENT SERVICE MARKET

Document management services refer to solutions for the creation, storage, sharing, tracking, and use of documents within enterprises based on the adoption of software and hardware. Given the nature of these services, this market can be categorised into two segments as follows: 1) the outsourced document management service market; and 2) the enterprise document management software solutions market.

- **Outsourced document management services** refer to services that distribute electronic or printed documents, cards, and other business-related documents to the clients of enterprises as requested by enterprise customers. It also provides document template designing, document imaging and scanning, hosting and management of data and document services. These services are usually completed via electronic distribution or conventional postal delivery.

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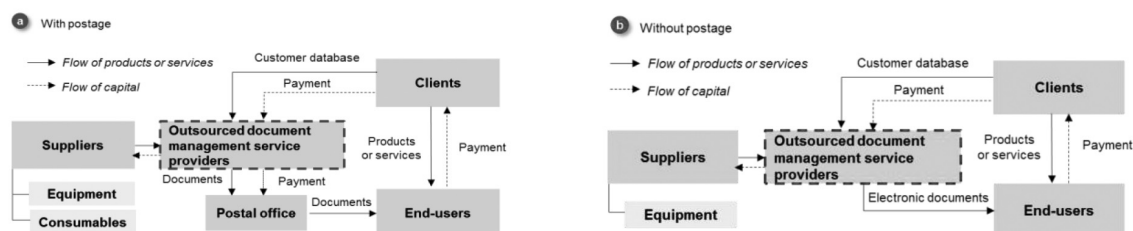
## INDUSTRY OVERVIEW

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- **Enterprise document management software solutions** refer to solutions that can help manage the life cycle of documents, including their creation, distribution, storage, and tracking, as well as their circulation, sharing, and exporting within an enterprise so as to ensure a seamless workflow and facilitate smooth interactions between different kinds of data, documents, and processes. According to the level of reliance on hardware, enterprise document management software solutions can be divided into either hardware dependent software or hardware independent software, and this section will only focus on the hardware independent software solution market, which is compatible with the Company's business.

### Value chain of the outsourced document management service market

The following diagram briefly outlines the value chain for the outsourced document management service market:



Source: China Insights Consultancy

Segments along the value chain for outsourced document management services include suppliers, outsourced document management service providers, clients, and end-users. Suppliers operating in this value chain include suppliers of equipment, such as printing and scanning devices. Suppliers of consumables, such as paper, cards, and envelopes are also involved in the value chain if the documents are delivered with postage. Outsourced document management service providers are responsible for extracting data from databases as provided by clients, producing documents in standardised formats, and then sending them out electronically, or in the form of hard-copies, to individual end-customers. In terms of the value chain, clients are responsible for providing information related to end-customers directly to service providers. Being the recipients of documents, end-customers operating in this value chain are customers of enterprise clients.

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## INDUSTRY OVERVIEW

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### Value chain of the enterprise document management software solutions market

The following diagram briefly outlines the value chain for the enterprise document management software solutions market:



Source: China Insights Consultancy

There are three different segments along the value chain for enterprise document management software solutions, which namely include IT infrastructure suppliers, software developers, and clients. IT infrastructure suppliers provide hardware and a framework for software developers, while software developers are responsible for acquiring a deep understanding of clients' needs and developing software that is adaptive to clients' specific requirements as well as clients' internal computer operating systems. Clients are responsible for specifying their needs in the area of document management so that software developers can better facilitate the generation, storage, management, and distribution of documents by developing appropriate document management software.

### ANALYSIS OF THE DOCUMENT MANAGEMENT SERVICE MARKET IN MALAYSIA

#### Market size of the document management service market in Malaysia

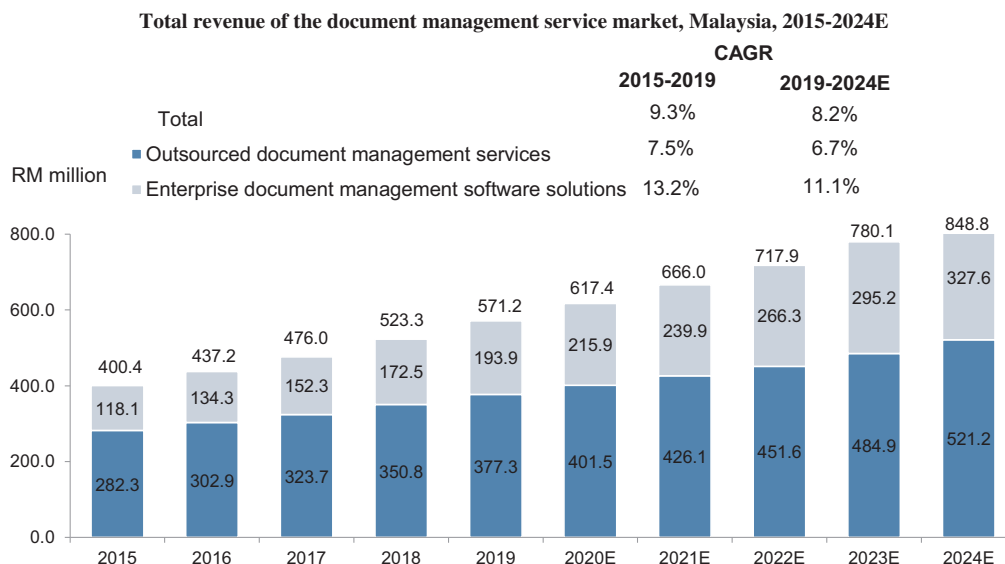
The total revenue generated in Malaysia's document management service market increased from RM400.4 million in 2015 to RM571.2 million in 2019, representing a CAGR of 9.3%.

The market segment for outsourced document management services has accounted for a larger portion of the overall market in terms of its revenues, which reflects a larger market demand for document content creation, printing, and delivery services in Malaysia. Total revenue in the Malaysian market increased from RM282.3 million in 2015 to RM377.3 million in 2019, representing a CAGR of 7.5%. The size of this market is forecasted to continue expanding to reach RM521.2 million by 2024, with a CAGR of 6.7% between 2019 and 2024.

In Malaysia's document management service market, revenues in the enterprise document management software solutions market increased from RM118.1 million in 2015 to RM193.9 million in 2019, at a CAGR of 13.2%. Given ongoing trends in support of the greater adoption of document digitalization within enterprises, the size of this software market is expected to further expand to reach RM327.6 million by 2024, with a CAGR of 11.1% between 2019 and 2024.

## INDUSTRY OVERVIEW

The following chart indicates the size of the document management service market in Malaysia during the period from 2015 to 2024:



*Note 1: The size of enterprise document management software solutions market only includes revenues generated from hardware independent software, which is comparable to the Company's business.*

*Note 2: Total revenue in the document management service market is calculated based on domestic expenditures on document management services for local enterprise customers.*

*Note 3: The market size is calculated and forecasted based on total IT expenditures in Malaysia, the share of expenditures on outsourced document management service, and the share of expenditures on enterprise document management software service.*

*Source: China Insights Consultancy*

### Market drivers of the document management service market in Malaysia

#### 1) Increasing total expenditures on information and communications technology

Propelled by an increase in Malaysia's penetration rate for Internet access, which increased from 71.1% in 2015 to reach 83.6% as of 2019, total expenditures in Malaysia's information and communications technology market have continued increasing steadily. With the ongoing digital revolution in the country's economy and continuous technological progress, total expenditures in this market are therefore expected to continue growing, which will in turn propel further growth in the country's enterprise application software market as well as the continued development of document management services in Malaysia as a whole.



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## INDUSTRY OVERVIEW

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### ***2) Increasing total expenditures on enterprise application software and an increasing number of enterprise establishments***

Enterprise spending in Malaysia on enterprise application software has increased significantly from RM1.6 billion in 2015 to RM2.4 billion in 2019, representing a CAGR of 10.7%. Reflecting continuous technological progress in terms of software development, total expenditures in the enterprise application software market are forecasted to continue growing to reach RM3.8 billion by 2024. The number of enterprise establishments in Malaysia increased from approximately 849.7 thousand units in 2015 to approximately 1,070.3 thousand units in 2019, representing a CAGR of 5.9%. These enterprises have generated an increased demand for document management services in aiming to optimize their business processes through the smart routing of document handling that is more cost-efficient, which in turn has stimulated the growth of document management services in Malaysia accordingly.

### ***3) Promotion of paperless offices and work space***

With increasing awareness throughout society in regards to environmental protection, many corporations have started to move towards paperless offices in order to achieve better ESG (environmental, social and corporate governance) performance. Document management services can help enterprises facilitate a reduction in their paper consumption, reduce their storage needs, help backup and store their documents online, and further streamline the overall business process, all of which promote higher work efficiency and a reduction in carbon emissions. Therefore, the promotion of paperless offices will have a positive impact on the continued development of the document management service market in the years ahead.

### ***4) Incentive schemes launched by the government***

The Government of Malaysia has implemented a series of policies allowing for tax reductions in order to facilitate the development of IT industries, which therefore will also serve to stimulate growth in the document management service market. For instance, based on the enacted Income Tax Act, 70% of all income generated from software development is to be exempt from tax for a period of five years. In addition, the Government of Malaysia has allowed for duty-free imports of multimedia equipment purchased by IT companies. Apart from that, Multimedia Super Corridor (MSC) status is granted by the Government of Malaysia to ICT and ICT-facilitated businesses. Incentives such as tax exemption, R&D grants, unrestricted employment of foreign workers and etc. are offered. These incentives are expected to further promote the development of the document management service market in Malaysia.

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## INDUSTRY OVERVIEW

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### ***5) Rising labour costs that encourage enterprises to outsource their non-core business segment***

Faced with pressure from rising labour costs, an increasing number of enterprises have sought to outsource their document management needs in order to maximize their labour utilization. Between 2015 to 2019, the average monthly salary of employees in Malaysia increased from RM2,487 to RM3,288, representing a CAGR of 7.2%. The outsourcing of document management services reduces the amount of labour input required for non-core business at relatively lower costs due to the scales of economy of outsourced document management service providers. Taking into account the benefits of outsourced document management services, an increasing number of enterprises are expected to adopt document management services in the years ahead.

### **Future trends in the document management service market in Malaysia**

#### ***1) Enhanced data security***

Data security is an essential consideration for enterprises in Malaysia when deciding whether or not to adopt document management services. The volume of confidential customer information has continued increasing along with the overall number of end users involved in any given business transaction. With identity theft and data breaches on the rise, it is critical for enterprises to proactively protect their business and any confidential customer information in their possession since failure to do so can be detrimental to the reputation of the service providers and tend to result in loss of customers. In addition, a variety of regulations and policies including Guidelines on Management of Cyber Risk, The Implementation of Data Breach Notification, and Risk Management in Technology have been introduced to address cyber security and data security. As a result, more efforts focusing on the enhancement of data security will be made by document management service providers in the future.

#### ***2) Upgrades to document management software in support of greater customization***

With the continued refinement of their business operations, enterprises have a growing need for customization in terms of document management software, which is usually designed to closely align with real-world operations and the enterprise specific in-house management processes, and help ensure that an enterprise is better equipped to handle customer information and resolve problems in both an efficient and comprehensive manner.

As software applications become more developed and advanced, over time, corporations are becoming more reliant on customised, high-end software technology and are more keep to outsourcing non-core operations to third party providers so that they can focus their resources on core business activities.

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## INDUSTRY OVERVIEW

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### **3) *Trend towards increased digitalization***

The trend towards increased digitalization has become popular for documents, including their creation, storage, tracking, review, and export, which aims to increase the efficiency of various processes involved in a workplace setting. Meanwhile, access to the documents on mobile devices have been made possible and is estimated to continue to enhance the convenience and efficiency of dealing with a variety of documents. With the Internet having become the most convenient and easily accessible mode for information storage and transfer, an increasing amount of information is expected to be converted into a digital format, which will support the delivery of such information and facilitate increased communication among various users.

### **4) *Wider application of SaaS***

Corresponding with the increased digitalization, SaaS is expected to gain wider application in the near future. When document management software solution is delivered in SaaS model, enterprises do not need to purchase software and hardware, build computer rooms, and recruit IT team, leading to a lower initial capital investment compared to that of on-site software solution. Meanwhile, SaaS also enables the collaboration in decentralized ways as software can be accessed by authorised personnel from any devices anywhere. Moreover, it also reduces the burden of upgrading, maintenance, and safeguarding data. With rising demand of enterprises to improve operational efficiency, penetration rate of SaaS model in software solutions is anticipated to grow in the future in Malaysia.

## **Market threats of the document management service market in Malaysia**

### **1) *Information security concerns***

Information security is an essential concern for enterprises when considering the use of external document management services. In the course of their work, document management service providers need to gain access to and connect with their clients' database so as to facilitate their document management services. This causes concern among enterprises and customers as regards potential risks associated with information leaks and the loss of private information, therefore posing a threat to the continued development of document management services moving forward.

### **2) *Shortage of skilled and experienced professionals***

Certain sectors in the IT industry, such as cloud computing services and software development, are relatively new and require the input of high-skilled personnel with extensive knowledge and experience. At present, the supply of such talent and expertise is insufficient in Malaysia, therefore posing a major threat to the development of the document management service market in Malaysia.

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## INDUSTRY OVERVIEW

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### Competitive landscape of the document management service market in Malaysia

The document management service market in Malaysia is relatively concentrated, with the leading five service providers accounting for approximately 36.1% of the market in terms of overall revenues generated in 2019. As of 2019, the Group ranked second in the market and had a market share of approximately 11.7% in terms of Malaysia's document management service revenue that year.

The table below outlines the top 5 market participants in the market in terms of revenue generated from the provision of document management services in Malaysia:

#### Ranking of major competitors in terms of revenue, 2019

Ranking	Company	Major business activities	Listing status	Revenue (RM millions)	Market share
1	Company A	<ul style="list-style-type: none"> <li>Outsourced document management services</li> <li>Supply of materials (paper, envelopes, etc.)</li> </ul>	Private	71.6	12.5%
2	The Group	<ul style="list-style-type: none"> <li>Enterprise document management software solutions</li> <li>Outsourced document management services</li> </ul>	Private	66.8	11.7%
3	Company B	<ul style="list-style-type: none"> <li>Enterprise document management software solutions</li> <li>Outsourced document management services</li> </ul>	Private	34.8	6.1%
4	Company C	<ul style="list-style-type: none"> <li>Enterprise document management software solutions</li> <li>Outsourced document management services</li> <li>Hardware solutions including printers, scanners, etc.</li> </ul>	Private	20.2	3.5%
5	Company D	<ul style="list-style-type: none"> <li>Enterprise document management software solutions</li> <li>Outsourced document management services</li> </ul>	Private	13.3	2.3%
	Sub total			206.7	36.1%
	Other participants			364.5	63.9%
	Total			571.2	100.0%

*Source: China Insights Consultancy*

*Notes:*

1. The Parent of Company A is listed on the Bursa Malaysia.
2. The Parent of Company B is listed on the TSE.
3. The Parent of Company C is listed on the NYSE.
4. The Parent of Company D is listed on Bursa Malaysia.

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## INDUSTRY OVERVIEW

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### **Entry barriers for the document management service market in Malaysia**

#### ***1) Regulatory barriers for outsourcing service providers in the finance industry***

Bank Negara Malaysia's guidelines on the outsourcing of banking operations, which came into force in 2000, requires that any banking institution seeking to partner with an outsourcing service provider must first notify Bank Negara Malaysia. The guidelines require that banking institutions put in place an effective oversight mechanism with regards to the outsourcing service providers. New comers will find it rather difficult to meet these guidelines, as it requires outsourcing service providers to have track records in terms of serving financial institutions, complying with any of the requirements of banks as well as satisfying any concerns related to data security. There are no more than 30 outsourcing service providers offering outsourced document management services to banks and financial institutions in Malaysia. Therefore, these guidelines pose a barrier for newcomers who wish to conduct outsourcing document management business with enterprises in the finance industry.

#### ***2) Sufficient number of qualified talents***

Given the fact that this industry is technology-intensive due to the nature of its business, access to a sufficient number of qualified software developers with rich background knowledge in programming, as well as having the ability to combine hardware and infrastructure with software in an optimal way, becomes essential for the sustainable development of enterprises.

#### ***3) Cooperation with postal service providers***

Outsourced document management services that require postage involves intensive cooperation between document management service providers and postal service providers. After the documents are printed, they are usually transferred to a post office before being delivered to end-users. Considering the amount of document associated with document management providers, and the timely delivery of such documents is often quite important, it is important for service providers to be able to deliver documents to end-users in a prompt manner. Establishing a long-term cooperation with postal service providers could ensure a fast, accurate, and economical delivery of documents. Since long-term cooperation takes years to accumulate, it creates a barrier for newcomers in this industry.

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## INDUSTRY OVERVIEW

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### **Key success factors for the document management service market in Malaysia**

#### **1) *Proven track record***

Many clients in finance industry, such as banks and insurance companies, set high standards for service providers since they have strict policies for compliance and data security. A proven track record of serving these companies in the industry not only indicates the professional capacity of the company to provide document management solutions but also serves to demonstrate that the company is trustworthy enough to give sufficient security and assurances that finance industry needs.

#### **2) *Long-term relationships with quality clients***

Constantly improving customer experience is crucial to maintain long-term relationships with clients in the document management service industry. By delivering high-quality document management services and designing software that can truly solve problems faced by clients, such as difficulties associated with locating the documents they need, a lack of transparency regarding the flow of documents, poorly managed access control for documents, etc., a company will be able to optimize the management of documents throughout their lifespan, thus improving the overall customer experience.

#### **3) *Experienced software development team***

Delivering high-quality document management services requires the input of solid hard skills as acquired by the companies' software engineers. Accumulated software programming experience and problem solving experience in the industry give a company an edge when dealing with all kinds of problems encountered during the software development process. An experienced team will also help in solving the various problems faced by clients when using software and updating software on a regular basis, ensuring the provision of quality services.

#### **4) *Ability to customize the software according to clients' needs***

Given the fact that different clients have distinct workflows and therefore have different needs for optimizing their document management systems, it is essential for service providers to identify the specific needs of clients accurately. Customization of software according to clients' need enhances user experience, thus increasing clients' reliance on the software products. With many service vendors currently active in the market, it becomes crucial for a company to obtain the means to differentiate itself from peers by demonstrating its ability to gain a deep understanding of clients' needs and adopt and customize the software solutions accordingly.

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## INDUSTRY OVERVIEW

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### 5) *Timeliness of the deliveries*

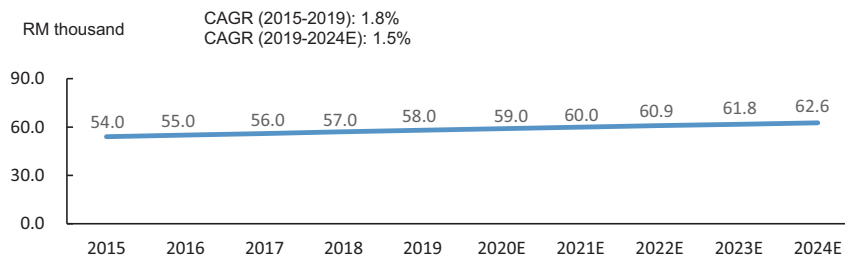
Since many of the documents printed and sent out via outsourced document management service providers are subject to a certain degree of sensitivity in terms of time, being able to deliver documents to end-users in a timely manner becomes essential in meeting clients' demands in this industry. It requires that companies utilize advanced variable printing equipment with a fast printing capacity so that they can complete a complicated printing task in only a short period of time. Meanwhile, since there is usually a limitation on printing output per machine, companies with a larger number of equipment are likely to gain a competitive edge since they can utilize multiple equipment simultaneously to meet the deadline.

### **Cost analysis of document management service market in Malaysia**

Labour cost is one of the essential cost items that will directly impact the profit margin for participants in Malaysia's document management service market. In Malaysia, the average annual salary of document management service market was relatively stable with slight increase between 2015 and 2019, which increased from RM54.0 thousand to RM58.0 thousand, representing a CAGR of 1.8%. In the following years, it is expected to continue increasing slightly to reach RM62.6 thousand by 2024, with a CAGR of 1.5% between 2019 and 2024.

The following chart presents the average annual salary of document management service market in Malaysia between 2015 and 2024E:

**Annual salary of document management service market, Malaysia, 2015-2024E**



*Note: The average annual salary in the document management service market follows similar fluctuations as the information service market in Malaysia. Typical employees in the information service market include analyst, account manager, software developers, and so on.*

*Source: Department of Statistics Malaysia, CIC report*

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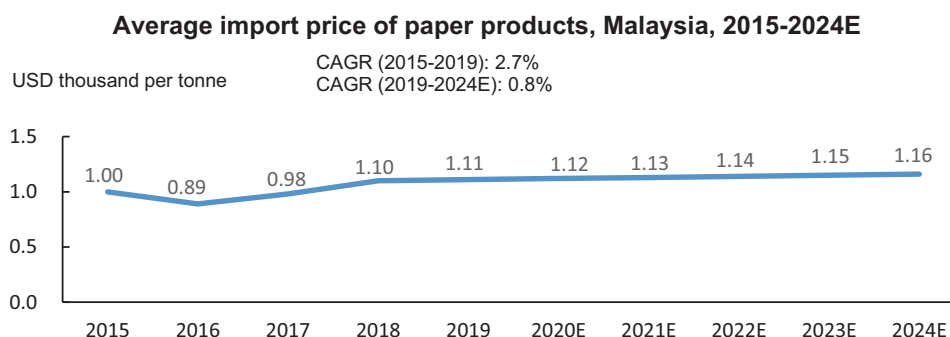
## INDUSTRY OVERVIEW

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Postage costs and material costs are the two other major kinds of expenses incurred in the outsourced document management services. The postal delivery system in Malaysia is controlled by a state-owned enterprise, Pos Malaysia. The postage rate is regulated by Postal Services Act 2012. Domestic rate of postage for standard mail ranges from RM0.6 to RM1.0, depending on the weight of postal article. Between 2015 and 2019, the postage rate remained relatively stable and is expected to continue with this trend in the next five years.

Material costs include costs of paper, envelope, and other paper products. Malaysia is reliant on the import of paper products. The import price of paper products exhibited a low level of volatility over the past five years, having increased from USD1.00 thousand per tonne in 2015 to USD1.11 thousand per tonne in 2019, with a CAGR of 2.7%. The import price is expected to remain relatively stable in the following five years, with a CAGR of 0.8% between 2019 and 2024.

The following chart presents the average import price of paper products in Malaysia between 2015 and 2024E:



*Note: Paper products refer to uncoated paper and paperboard. Uncoated paper and paper board is widely used for writing, printing, and other graphic purposes.*

*Source: International Trade Centre, CIC report*

## OVERVIEW OF THE DOCUMENT MANAGEMENT SERVICE MARKET IN SINGAPORE

### Market size of the document management service market in Singapore

The total revenue generated in Singapore's document management service market increased from SGD177.2 million in 2015 to reach SGD221.5 million in 2019, representing a CAGR of 5.7%. A slight decrease in revenues between 2015 and 2016 resulted from weak economic growth in Singapore during these two years.



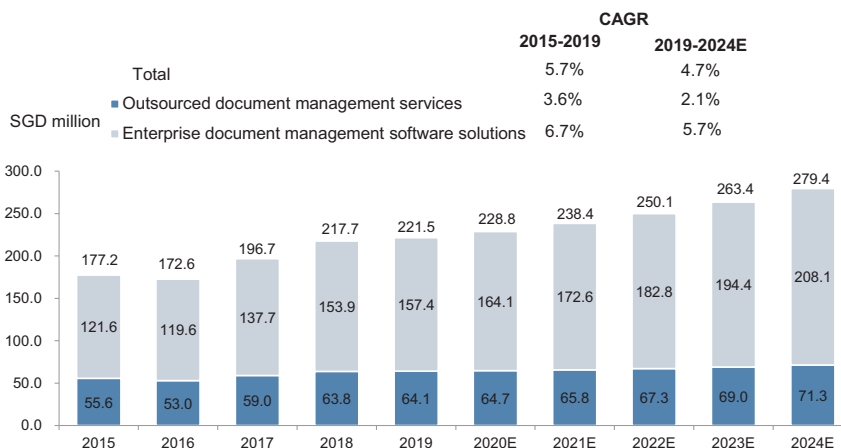
## INDUSTRY OVERVIEW

The total revenue generated in the enterprise document management software solutions market increased from SGD121.6 million in 2015 to SGD157.4 million in 2019, representing a CAGR of 6.7%. In the next following years, and with enterprises' increasing demand for cloud computing services, big data, analytics, and information security, the revenue generated in this market will continue growing to reach SGD208.1 million by 2024, with a CAGR of 5.7% between 2019 and 2024.

Revenues generated from outsourced document management services accounted for a relatively smaller portion of the overall market, with printing and postage services in Singapore having mostly been replaced by electronic delivery services. Hence, revenues in this market segment increased at a relatively lower CAGR of 3.6% between 2015 and 2019, having increased from SGD55.6 million in 2015 to SGD64.1 million in 2019. It is forecasted that this number will increase slightly to reach SGD71.3 million by 2024, with a CAGR of 2.1% between 2019 and 2024.

The following chart indicates the size of the document management service market in Singapore during the period from 2015 to 2024:

**Total revenue of the document management service market, Singapore, 2015-2024E**



*Note 1: The size of the enterprise document management software solutions market only includes revenue generated from hardware independent software, which is comparable to the Company's business.*

*Note 2: Total revenue in the document management service market is calculated based on domestic expenditures on document management services for local enterprise customers.*

*Note 3: The market size is calculated and forecasted based on total revenue of information and communication industry, the share of revenues from outsourced document management service, and the share of revenues from enterprise document management software service.*

Source: China Insights Consultancy

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## INDUSTRY OVERVIEW

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### **Competitive advantages of The Group**

With proprietary technology advantages, The Group is capable of developing closer relationships with clients thanks to its in-house IT team's ability to meet the specific needs of clients and to customize software solutions in accordance with clients' own IT infrastructure. Meanwhile, The Group maintains full control of the development of software and all associated technical details, which guarantee the smooth operation of software while ensuring the speedy resolution of problems. In addition, The Group's experienced management team is capable of anticipating future industry trends and guiding the IT team in developing new software products that can meet customers' as yet undiscovered needs. As of 2019, The Group ranked the second in the market in terms of revenue generated from the provision of document management services in Malaysia. Having built up a solid customer base in the banking and insurance industries, The Group is well-positioned to further capture a larger share of the market and potentially expand into other industries.

### **Data hosting industry in Malaysia**

Data hosting involves hardware, systems, software and infrastructure required to store and manage access to data. Enterprise class hosting services are delivered from data centres. Based on the level of reliance of infrastructure, hardware, and servers from third-party service providers, there are mainly three types of data centre services, including colocation services, managed hosting services, and cloud services.

Colocation services involve rental of data centre floor space, cages, racks with basic cooling, power, and connectivity, and servers and networking hardware are owned and operated by clients and accessed via on-site or remote management. For managed hosting services, data centres are managed by managed services providers on behalf of clients who lease servers and other specified equipment. Cloud services are made available to users on demand via the Internet from a cloud computing provider's servers.

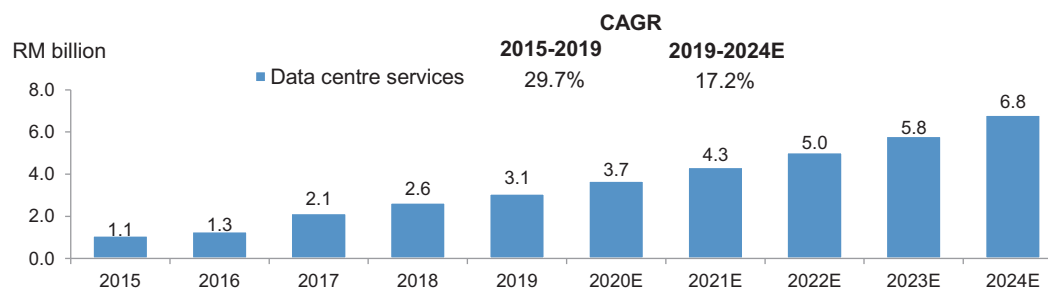
Driven by continuous efforts by Malaysian Government to build Malaysia as ASEAN hub of data centre, revenue of data centre services in Malaysia has witnessed strong growth. Between 2015 and 2019, revenue of data centre services increased from approximately RM1.1 billion in 2015 to RM3.1 billion in 2019, representing a CAGR of 29.7%. Propelled by technology advances in Internet-of-Things, edge computing, cloud computing, as well as rising demand for data centre services by small-to-medium sized enterprises and e-commerce, revenue of cloud services and data centre industry is expected to expand at a CAGR of 17.2% between 2019 and 2024, reaching approximately RM6.8 billion by 2024.

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## INDUSTRY OVERVIEW

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### Revenue of data centre services in Malaysia, 2015-2024E



Source: China Insights Consultancy

### Competitive landscape of data hosting industry in Malaysia

There are approximately 25 to 30 companies offering data centre services in Malaysia. Leading market players include local data centre specialists, telecommunications companies, and IT service providers, as well as telecommunications companies from Japan and data centre specialists from Singapore. As Malaysia continues to attract global players with its relatively inexpensive electrical utility pricing in the ASEAN region, it is expected that there will be a growing number of data centre service providers enter the market. Given the double-digit growth prospect for data centre services industry in Malaysia, it is anticipated that market players will experience strong growth in terms of revenue between 2020 and 2024. Local data centre providers have accumulated deep understanding of the local market while international data centre providers leverage their advantages on their presence in multiple countries to achieve economies of scale and offer international options to their clients.

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## REGULATORY OVERVIEW

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### MALAYSIAN REGULATORY OVERVIEW

A summary of salient Malaysian legal and regulatory provisions and licensing requirements that have a material impact to our Group's business operations is set out below. As it is in the form of a summary, it does not contain all legal and regulatory provisions that may be applicable to our Group's business operations in Malaysia. Any investor who wishes to have a detailed description of the laws of Malaysia in relation to our Group's operations is recommended to seek and consult their own independent legal advisers.

### OVERVIEW OF MALAYSIAN LAWS AND REGULATIONS

As at the Latest Practicable Date, our Group acts as outsourced service provider for electronic document delivery, print and mail fulfilment, document scanning and document hosting management services. In view of the business operation of our Group, we set out below a summary of Malaysian laws and regulations which are material and relevant to the information technology industry.

#### (I) Laws and Regulations relating to Business Operation

##### (a) *Financial Services Act 2013*

The Financial Services Act 2013 ("**FSA 2013**") provides regulation and supervision of financial institutions and other relevant entities to promote financial stability and for related, consequential or incidental matters. On the other hand, Bank Negara Malaysia ("**Bank Negara**") is empowered to set out standards on prudential matters to foster the sound financial position of an institution as well as the integrity, professionalism and expertise in the conduct of business, affairs and activities of an institution. The standards which the Bank Negara may specify include, among others, corporate governance, risk management and prevention of an institution from being used for criminal activities.

According to FSA 2013, financial institution includes, *inter alia*, a licensed bank and a licensed investment bank ("**Licensed Institutions**"). Any person who has access to any document or information relating to the affairs or account of any customer of a financial institution shall not disclose such document or information to another person. Any person who contravenes this provision shall upon conviction, be liable to a fine not exceeding RM10 million or to imprisonment for a term not exceeding 5 years or to both.

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## REGULATORY OVERVIEW

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However, the disclosure of such document and information by a Licensed Institution to third party service providers is not subject to the secrecy restriction as mentioned above. Schedule 11 of FSA 2013 prescribes that such disclosure is permissible to any person engaged by the financial institution to perform the outsourced function provided that the disclosure be done in accordance with the conditions as may be specified by the Bank Negara. The Bank Negara has the discretion to amend or revoke any existing conditions or impose any new conditions from time to time. Any person who fails to observe the conditions as set out by the Bank Negara shall upon conviction, be liable to a fine not exceeding RM10 million or to imprisonment for a term not exceeding 5 years or to both.

The Bank Negara issued a policy document on outsourcing (the “**Policy Document**”), which came into force on 23 October 2019 (superseded the policy document on outsourcing issued on 28 December 2018), aimed at strengthening governance and risk management standards in managing outsourcing risk of a licensed person and a prescribed development financial institution (“**Financial Institution**”), particularly in light of changing business models and greater adoption of technology within the financial services sector.

Based on the Policy Document, the Financial Institution is required to conduct a due diligence process on the following before the selection of the service provider:-

- (a) its capacity, capability, financial strength and business reputation;
- (b) risk management and internal control capabilities, including physical and IT security controls, and business continuity management;
- (c) the location of the outsourced activity, including primary and back-up sites;
- (d) access rights of the financial institution and Bank Negara Malaysia to the service provider;
- (e) measures and processes to ensure data protection and confidentiality;
- (f) reliance on sub-contractors, if any;
- (g) undue risks resulting from similar business arrangements, if any;
- (h) the extent of concentration risk to which the financial institution is exposed with respect to a single service provider and the mitigation measures to address this concentration; and
- (i) ability of the service provider to comply with the relevant laws, regulations and requirement of the Policy Document.

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## REGULATORY OVERVIEW

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Further thereto, all the outsourcing arrangement must be governed by a written agreement that is legally enforceable. It must set out the responsibilities of the services providers with well-defined and measurable risk and performance standard in relation to the outsourced activity and to ensure that the use of information shared with the service provider is limited to the extent necessary to perform the obligations under the outsourcing agreement.

The financial institution shall also use all its best endeavor to prevent and prohibit any misuse, unauthorized or inadvertent disclosure of confidential information by the service provider by monitor and enhance the level of security controls, governance, policies and procedures at the service provider to protect the security and confidentiality of information shared under the outsourcing arrangement.

Pursuant to the Policy Document, a Financial Institution is required to obtain written approval from Bank Negara where the financial institution:

- (i) enters into a new material outsourcing arrangement as per the factors set out in the Appendix 3 to the Policy Document; or
- (ii) makes a significant modification to existing material outsourcing arrangement(s).

The Policy Document also provides for transitional arrangements, where a Financial Institution must ensure that all outsourcing arrangements entered into prior to 28 December 2018, including those approved by Bank Negara for a specified time period, comply with the requirements in this policy document no later than 1 July 2022. As advised by the Malaysia Legal Adviser, changes to the Policy Document were administrative amendments and there is no material difference to the previous version issued on 28 December 2018. Based on the above and given that our Group has been able to meet the previous guidelines or policy document and have provided outsourced document management services to various financial institutions during the Track Record Period and up to the Latest Practicable Date, our Directors are of the opinion that the introduction of the Policy Document will not have any adverse impact on the Group's ability to provide its outsourced document management services or on its operational and financial results going forward.

The policy document issued on 28 December 2018 and the Management of Customer Information and Permitted Disclosures which came into effect on 17 October 2017 also lays down similar guidelines on the management of customer information. Licensed institutions are required to assess the potential risks before engaging an outsourced service provider especially when it involves the transportation of customer information outside the premise of the financial institution.

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## REGULATORY OVERVIEW

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The Bank Negara may examine anyone who has dealing with a Licensed Institution to ensure compliance with FSA 2013. The third party shall furnish all such information, document or explanation requested by the Bank Negara and shall appear before the Bank Negara at such place and at such time, as determined by the Bank Negara, failing which, he shall, on conviction, be liable to a fine not exceeding RM25 million or to imprisonment for a term not exceeding 8 years or to both.

### ***(b) Risk Management in Technology***

The Risk Management in Technology policy (“**RMIT**”) sets out the technology risk management framework required by Bank Negara Malaysia which became effective on 1 January 2020.

The RMIT policy requires the financial institution to specify the resilience and availability objectives of its data centres which are aligned with its business needs. The network infrastructure must be designed to be resilient. The Financial Institution must also ensure the production data centres and recovery data centres are concurrently maintainable which includes ensuring that the production data centres have redundant capacity components and distribution paths serving the computer equipment. Furthermore, the Financial Institutions shall host critical systems in a dedicated space intended for production data centre usage which is physically secured from unauthorized access and is not located in a disaster prone area.

Further, the financial institution must ensure that there is no single point of failure in the design and connectivity for critical components of the production data centres, including hardware components, electrical utility, thermal management and data centre infrastructure. The Financial Institution is also required to ensure adequate maintenance, and holistic and continuous monitoring of these critical components with timely alerts on faults and indicators of potential issues and is required to appoint a technically competent external service provider to carry out a production data centre resilience and risk assessment and set proportionate controls aligned with the Financial Institution’s risk appetite.

In regard to the data centre operations, the financial institution must establish a real time monitoring mechanisms to track capacity utilization and performance of key processes and services. Moreover, in order to prevent operators from performing any unauthorized tasks in the financial institution, it is also important that the financial institution must ensure that segregation of incompatible duties is implemented in the data centre operations environment. In the case where vendors or programmers’ access to the production environment is necessary, all their activities must also be properly authorised and monitored. In order to ensure that the existing controls are adequate in protecting sensitive data at all times, the Financial Institution is required to undertake an independent risk assessment of its end-to-end backup storage and delivery management.

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## REGULATORY OVERVIEW

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Besides, the financial institution must ensure its third-party service providers comply with all relevant regulatory requirements prescribed in RMIT policy which includes the specific requirements for system development and acquisition, data centre operations, network resilience, technology security and cybersecurity. The Financial Institutions must also ensure data residing in third party service providers are recoverable in a timely manner and the third party service provider who is hosting any critical system have a strong recovery and resumption capability and provisions to facilitate an orderly exit in the event of failure or unsatisfactory performance by the third party service providers.

### *(c) Personal Data Protection Act 2010*

The Personal Data Protection Act 2010 (“**PDPA 2010**”) aims to regulate the collection, holding, processing and use of personal data in the context of commercial transactions. The seven personal data protection principles form the basis of protection under the Act.

Data user is defined as a person who, either alone or jointly or in common with other persons, processes any personal data or has control over or authorizes the processing of any personal data, but does not include a data processor which is defined as any person who processes the personal data solely on behalf of the data user and does not process the personal data for any of his own purposes.

In view of the business operation of the Group, the Group acts as data processor who processes the personal data on behalf of the financial institutions. Despite that there is no implication of obligations on a data processor based on the personal data protection principles, a data user shall ensure that the data processor provides sufficient guarantees in respect of the technical and organization security measures governing the processing to be carried out and takes reasonable steps to ensure compliance with those measures.

Similarly, Personal Data Protection Regulations 2013 (“**Regulations 2013**”) also states that a data user shall ensure a data processor complies with the security standard when processing the personal data on behalf of the data user, failing which, the data user will be subject to penalty as prescribed in Regulations 2013.

PDPA 2010 further provides that unless provided under the Act, a person, in our case a data processor, shall not without the consent of the data user knowingly or recklessly (i) collect or disclose personal data or (ii) procure the disclosure to another person of personal data that is held by the data user. Further, it is an offence if a person offers to sell or sells such personal data to others. Anyone who contravenes these provisions shall, upon conviction, be liable to a fine not exceeding RM500,000 or to imprisonment for a term not exceeding 3 years or to both.



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## REGULATORY OVERVIEW

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If a body corporate commits an offence, any person who at the time of the commission of the offence was a director, chief executive officer, chief operating officer or other similar officer of the body corporate may be charged severally and jointly in the same proceeding with the body corporate unless he successfully proves that the offence was committed without his knowledge and he has taken all reasonable precautions and exercised due diligence to prevent the commission of the offence.

**(d) Local Government Act 1976**

It is a requirement for a company carrying out business in Malaysia to obtain a business license for each operating premise from the relevant local authority which is empowered under the Local Government Act 1976 (“**LGA 1976**”).

LGA 1976 confers the power to the local authority to make by-laws which provide that no person shall use any premise within the jurisdiction of respective Municipal Council without a license issued by respective Municipal Council.

The Group is running its businesses at District of Petaling Jaya, State of Selangor, Malaysia. Therefore, it is a requirement for the Group to comply with the Licensing of Trades, Businesses and Industries (Petaling Jaya Municipal Council) By-Laws 2007 (“**By-Laws**”).

According to the By-Laws, no person shall operate any activity of trade, business and industry or use any place or premise in the local area of the council for any activity of trade, business and industry without obtaining a license issued by the Petaling Jaya Municipal Council. Otherwise, he shall, on conviction, be liable to a fine not exceeding RM2,000 or to imprisonment for a term not exceeding 1 year or to both for each day during which such offence is continued after conviction.

Where an offence has been committed by any body corporate, any person who at the time of the commission of such offence was a director, general manager, secretary or other similar officer of the body corporate or was purporting to act in any such capacity, shall be deemed to be guilty of that offence unless he proves that the offence was committed without his consent or connivance and that having regard to the nature of his functions in that capacity and to all the circumstances, he took all reasonable means and precautions to prevent the commission of the offence.

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## REGULATORY OVERVIEW

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### (II) Laws and Regulations relating to MSC

Government of Malaysia through the Malaysian Digital Economic Corporation (MDEC) grants Multimedia Super Corridor (“**MSC**”) Malaysia status to ICT-facilitated businesses and information and communication technology that utilise or develop multimedia technologies to produce and improve their products and services.

To be eligible for MSC Malaysia status, a company shall meet the following criteria:

- (i) undertake technology and knowledge transfer activities and contribute towards the development of MSC Malaysia or support Malaysia’s e-economy initiatives;
- (ii) establish a separate legal entity for MSC Malaysia qualifying activities; and
- (iii) where applicable, locate in a designated premise within MSC Malaysia Cybercity or Cybercentre.

Entities that are granted MSC Malaysia status are entitled to a set of incentives, rights and privileges from the Government of Malaysia, namely the MSC Malaysia Bill of Guarantees (“**BOGs**”). The rights and privileges are as follows:–

- (i) to provide a world-class physical and information infrastructure;
- (ii) to allow employment of local and foreign knowledge workers;
- (iii) to ensure freedom of ownership for MSC Malaysia status companies;
- (iv) to give the freedom of global capital sourcing for MSC Malaysia infrastructure, and access to borrow funds globally;
- (v) to provide competitive financial incentives, including Pioneer Status (100% tax exemption) (as defined under Promotion of Investments Act 1986, please refer to (V)(c)) for up to 10 years or an Investment Tax Allowance (hereinafter defined under (as defined under Promotion of Investments Act 1986, please refer to (V)(c)) for up to 5 years and no duties on import of multimedia equipment;
- (vi) to become a regional leader in intellectual property protection and cyberlaws;
- (vii) to ensure no internet censorship;
- (viii) to provide globally competitive telecommunications tariffs;
- (ix) to tender key MSC Malaysia infrastructure contracts; and
- (x) to provide a high-powered implementation agency to act as an effective one-stop super shop.

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## REGULATORY OVERVIEW

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### (III) Laws and Regulations relating to Intellectual Property

#### *(a) Copyright Act 1987*

Works eligible for copyright under the Copyright Act 1987 (“CA 1987”) are literary works, musical works, artistic works, films, sound recordings and broadcasts. Pursuant to CA 1987, literary work includes computer programs.

Therefore, the products and/or software relating to the business of the Group are eligible to be protected under CA 1987. Copyright in any literary, musical or artistic work which subsists in such work under CA 1987 shall subsist during the life of the author and shall continue to subsist until the expiry of a period of fifty years after his death.

Pursuant to CA 1987, in order for the products and/or software of a company to be eligible for protection, the company shall make a notification of copyright to the controller of copyright by or on behalf of the author of the products and/or software, the owner of the copyright in the products and/or software, an assignee of the copyright, or a person to whom an interest in the copyright has been granted by licence.

#### *(b) Trademarks Act 2019*

The new Trademarks Act 2019 (“TA 2019”) was enforced on 27 December 2019, repealing the previous Trade Marks Act 1976. The TA 2019 provides protection for registered trademarks in Malaysia. A trademark, once registered with the Malaysian Intellectual Property Corporation is valid for 10 years and may be renewed for further periods of 10 years.

According to TA 2019, any sign capable of being represented graphically which is capable of distinguishing goods or services of one undertaking from those of other undertakings falls under the definition of trademark. A sign may constitute a trademark even though it is used in relation to a service ancillary to the trade or business of an undertaking and whether or not the service is provided for money or money’s worth.

Under TA 2019, any person who claims to be the bona fide proprietor of a trademark may apply for the registration of the trademark if the person is using or intends to use the trademark in the course of trade or the person has authorized or intends to authorize another person to use the trademark in the course of trade. A registered trademark shall be a property right and a registered proprietor of the trademark has the exclusive rights to use the trademark and to authorize other persons to use the trademark in relation to the goods and services for which the trademark is registered subject to any disclaimers, conditions, amendments, modifications or limitations.

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## REGULATORY OVERVIEW

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TA 2019 provides that the registered proprietor has the right to obtain relief for infringement of his trademark. A person infringes a registered trademark if, without the consent of the proprietor of the trademark, uses in the course of trade a sign that is identical or similar to the trademark and is used in relation to goods and services identical or similar to those which the trademark is registered. The registered proprietor shall have the right to institute proceedings against any person who has infringed or is infringing the registered trademark.

Further, it should be noted that TA 2019 provides that no person shall be entitled to initiate any action to prevent or to recover damages for the infringement of an unregistered trademark. However, nothing in TA 2019 shall be deemed to affect the right of action against any person for passing off goods or services as those of another person or the remedies in respect of the goods and services. Despite the non-registration of the trademark under the TA 2019, there is an alternative cause of action for passing off goods or services under common law.

### **(IV) Laws and Regulations relating to Employment**

#### ***(a) Employment Act 1955***

The Employment Act 1955 (“**EA 1955**”) provides minimum work requirements and benefits of employment, such as minimum working hours, overtime entitlement, leave entitlement, maternity protection and termination benefits. The EA 1955 expressly provides that in the event of inconsistency between the terms contained in the employment and the minimum standards prescribed by the EA 1955, the more favourable terms will prevail and be enjoyed by the employees.

For the purpose of the EA 1955, Employment (Amendment) Act 2012 (“**EAA 2012**”) provides that ‘employee’ means any person, irrespective of his occupation, who has entered into a contract of service with an employer under which he is earning a monthly wage of not more than RM2,000 or to employees, irrespective of their monthly wages, who are engaged in manual labour, including artisan or apprentice, or who are engaged in the operation or maintenance of mechanically propelled vehicles operated for the transport of passengers or goods or for commercial purposes, or who supervise or oversee other employees engaged in manual labour or who are engaged in any capacity in any vessel registered in Malaysia or who are engaged as a servant. Any person who commits any offence under, or contravenes any provision of the EA 1955, or any regulations, order, or other subsidiary legislation whatsoever made thereunder, in respect of which no penalty is provided, shall be punishable by a fine not exceeding RM10,000 upon conviction.

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## REGULATORY OVERVIEW

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### ***(b) Employment (Restriction) Act 1968***

In so far as non-residents of Malaysia are concerned, their employment is further governed by the Employment (Restriction) Act 1968 (“**ERA 1968**”) which imposes the requirement on persons not being a citizen to obtain a valid employment permit before he can be employed in any business or accept employment in any business in Malaysia. The ERA 1968 similarly prohibits a person from employing a non-citizen of Malaysia unless there has been issued in respect of that latter person a valid employment permit. Failure to obtain the valid employment permit shall be an offence which on conviction is punishable by a fine not exceeding RM5,000 or imprisonment for a term not exceeding one year or both.

### ***(c) Employees Provident Fund Act 1991***

The Employees Provident Fund Act 1991 (“**EPFA 1991**”) imposes statutory obligations on both employers and employees to contribute towards the Employees’ Provident Fund which is essentially a fund established as a scheme of savings for employees’ retirement and the management of the savings for retirement purposes.

Pursuant to the EPFA 1991, both the employer and employee are required to make monthly contributions, at the contribution rate set out in the EPFA 1991 into the employee’s individual account maintained with the Employees’ Provident Fund. The employers are required to contribute to the Employees’ Provident Fund to employees who are Malaysian citizens or permanent residents. Expatriates and foreign workers, who are not Malaysian citizens or permanent residents are not required to contribute to the Employees’ Provident Fund unless they elect to do so. An employer who fails to remit such contributions shall be guilty of an offence and shall on conviction be liable to imprisonment for a term not exceeding three years or to a fine not exceeding RM10,000 or to both.

Where an employer fails to pay any contributions due within the prescribed period, the employer shall in addition to such contributions be liable to pay dividend which would have accrued on such contributions if such contributions had been paid by the employer within the prescribed period at the rate as declared pursuant to the EPFA 1991. The employer shall also be liable to pay interest to be credited to the Employees’ Provident Fund on such amount at such rate and in accordance with any manner and calculation determined by the Employees’ Provident Fund Board. Failing which, the employer shall be guilty of an offence and shall on conviction be liable to imprisonment for a term not exceeding three years or to a fine not exceeding RM10,000 or to both.

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## REGULATORY OVERVIEW

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### ***(d) Employees' Social Security Act 1969***

The Employees' Social Security Act 1969 ("**ESSA 1969**") essentially establishes social security for employees in Malaysia and similarly imposes statutory obligations on both employers and employees to contribute to the Social Security Fund. Pursuant to the ESSA 1969, all employees in industries to which the ESSA 1969 applies, irrespective of the amount of wages, shall be insured in the manner provided by the ESSA 1969.

The contribution payable under the ESSA 1969 in respect of an employee shall comprise contribution payable by the employer (hereinafter referred to as the employer's contribution) and contribution payable by the employee (hereinafter referred to as the employee's contribution) and shall be paid to the Social Security Organization Board ("**SOCSSO**"). The contributions of the various categories shall be paid in accordance with the rates specified in the Third Schedule of the ESSA 1969.

Any person who fails to pay any contribution or any part thereof which is payable by him under the ESSA 1969 or fails to pay within the time prescribed by regulations any interest payable or is guilty of any contravention of or non-compliance with any of the requirements of the ESSA 1969 or the rules or the regulations in respect of which no special penalty is provided shall be punishable with imprisonment for a term up to two years, or with a fine not exceeding RM10,000 or to both. Court may also order the employer to pay to the SOCSSO the amount of any contributions, together with any interest credited on it, due and payable to SOCSSO.

### ***(e) Minimum Wages Order (Amendment) 2018 and Minimum Wages Order 2020 ("MWO 2020")***

There are minimum wages imposed on all employees in Malaysia.

With effective from 1 February 2020, the minimum wages of employees has been revised from RM1,100 per month, or RM5.29 per hour to RM1,200 per month, or RM5.77 per hour for the employee who works in a place of employment in any City Council or Municipal Council areas as specified in the Schedule of MWO 2020.

### ***(f) Industrial Relations Act 1967***

The Industrial Relations Act 1967 ("**IRA 1967**") provides the legal framework and procedures for employees who have been unfairly dismissed and/or constructively dismissed by their employers. The IRA 1967 provides an avenue to seek redress via the Malaysian industrial court, which specializes in handling industrial relation matters only.

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## REGULATORY OVERVIEW

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### *(g) Occupational Safety and Health Act 1994*

The Occupational Safety and Health Act 1994 (“**OSHA 1994**”) provides a legislative framework to promote standards for safety and health at work. OSHA 1994 is regulated under the purview of the Department of Occupational Safety and Health, Ministry of Human Resources. Pursuant to OSHA 1994, every employer has a duty to ensure, so far as is practicable, the safety, health and welfare at work of the employees. It is the duty of employers to provide the employees with the training, knowledge, information and supervision to provide a safe working environment without risks to their health, safety and welfare.

Every employer shall establish a safety and health committee at the place of work if (a) there are 40 or more persons employed at the place of work; or (b) the Director General of Occupational Safety and Health directs the establishment of such a committee at the place of work. The committee’s main function is to review the safety and health measures and investigate any matters arising thereof. Failure to comply will attract a fine of not exceeding RM5,000 or to imprisonment for a term not exceeding 6 months or to both.

OSHA 1994 also requires an occupier of a place of work to employ a competent person to act as a safety and health officer at the place of work. The safety and health officer employed shall be exclusively for the purpose of ensuring the due observance at the place of work of the provisions of the OSHA 1994 and any regulation made thereunder and the promotion of a safe conduct of work at the place of work.

Where a body corporate contravenes any provisions of the OSHA 1994 or any regulations made thereunder, every person, who at the time of the commission of the offence is a director, manager, secretary or other like officer of the body corporate (“**Such Person**”) shall be deemed to have contravened the provision and may be charged jointly in the same proceedings with the body corporate or severally, and every Such Person shall be deemed to be guilty of the offence.

However, it is further provided under OSHA 1994, it shall be a defence in any proceeding against a person for an offence under the OSHA 1994 or any regulations made thereunder to satisfy the court that the offence was committed without his consent or connivance and that he exercised all such due diligence to prevent the commission of the offence as he ought to have exercised, having regard to the nature of his functions in that capacity and to all the circumstances.

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## REGULATORY OVERVIEW

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### (V) Laws and regulations relating to Taxation

#### (a) *Income Tax Act 1967*

Pursuant to the Income Tax Act 1967 (“**ITA 1967**”), income tax shall be charged for each year of assessment upon the income of any person accruing in or derived from Malaysia or received in Malaysia from outside Malaysia. Section 7 of ITA 1967 defines tax resident as an individual who has been residing in Malaysia for 182 days or more of the tax year. Basically, a company will be a tax resident in Malaysia if its management and control is exercised in Malaysia.

The income tax rate payable by a resident company differs depending on the amount of the group company’s paid-up capital in relation to the particular year of assessment. The rate of tax payable during the Track Record Period are as follow:-

Year of Assessment	Company with paid up capital more than RM2,500,000	Company with paid-up capital not more than RM2,500,000	
		On first RM500,000 of the taxable income	Balance of the taxable income
2016	24%	19%	24%
2017-2018	24%	18%	24%
2019	24%	17%	24%

Withholding tax is applicable to corporations making payments for certain types of income to non-residents as prescribed under the ITA 1967. However, Malaysia does not levy withholding tax for dividends paid by a company incorporated in Malaysia to non-resident shareholders.

#### (b) *Income Tax (Deduction from Remuneration) Rules 1994*

Pursuant to Rule 3 of Income Tax (Deduction from Remuneration) Rules 1994 (“**ITDRR**”) and Income Tax (Deduction from Remuneration) (Amendment) Rules 2015, it is mandatory for employers to make deductions from their employees’ remuneration every month in accordance with the Monthly Tax Deduction (“**MTD**”) Schedule. Employers shall then pay to the Director General the deducted remuneration by the 15th day of the month following the month of deduction.

Any person who, without reasonable excuse, fails to comply with this provision shall be guilty of an offence and shall on conviction, be liable to a fine not exceeding RM20,000 or to imprisonment for a term not exceeding 6 months or to both.



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## REGULATORY OVERVIEW

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### *(c) Promotion of Investments Act 1986*

There are incentives available in Malaysia for investments in promoted products and activities in specific business activities as promoted by the Malaysian Government. For instance, a company being accorded pioneer status is entitled to various incentives as explained below.

Under the Promotion of Investments Act 1986 (“**PIA 1986**”), any company or person proposing to register a high technology company, being desirous of establishing or participating in a promoted activity or producing a promoted product in areas of new and emerging technologies, may make an application in writing to the Minister of International Trade and Industry (the “**MITI**”) for pioneer status, or for pioneer status to be given when the proposed company has been registered, in relation to that activity or product. On receipt of an application for pioneer status, the Minister may grant the status if he is satisfied that it is expedient in the public interest to do so.

Where a pioneer company fails to comply with any of the conditions in the pioneer status certificate, the Minister shall by notice in writing require the company within 30 days from the date of service of the notice to show cause why the pioneer certificate should not be cancelled. The Minister has the discretion to cancel the pioneer certificate if he is not satisfied with the reasons for the non-compliance with the conditions imposed or the pioneer company has failed to comply with the notice served by the Minister.

Malaysian Investment Development Authority (“**MIDA**”), an agency appointed by MITI, shall from time to time deem any activities or products as promoted activities and promoted products. A pioneer status company is generally eligible for exemption from income tax for 100% of the statutory income for five years and may make an application for extension of such tax relief period for another five years subject to the discretion of MITI with the concurrence in writing of the Ministry of Finance.

As an alternative to pioneer status, a company may apply for investment tax allowance (“**Investment Tax Allowance**”). A company granted Investment Tax Allowance is entitled to an allowance of 100% on its qualifying capital expenditure incurred within a period of five years to be offset against 100% of statutory income for each year of assessment.

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## REGULATORY OVERVIEW

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### *(d) Goods and Services Tax 2014 (“GSTA 2014”)*

The GSTA 2014 provides for the imposition of goods and services tax (“GST”) on all taxable supplies of goods and services made in the course of furtherance of a business by a company in Malaysia and importation of goods into Malaysia by a taxable person. A taxable person is a person who makes taxable supplies in Malaysia with annual turnover exceeding RM500,000 and who is required to be registered with the Royal Malaysian Customs Department. GST is not chargeable on zero rated supply, exempt supply and supply granted relief. Following the change of federal government in Malaysia, the GST rate has been reduced to zero effective from 1 June 2018 pursuant to Goods and Services Tax (Rate of Tax) (Amendment) Order 2018. With effect from 1 September 2018, GSTA 2014 was repealed and replaced by Sales Tax Act 2018 and Service Tax Act 2018 (“STA 2018”).

### *(e) Service Tax Act 2018*

Pursuant to Service Tax Act 2018 (“STA 2018”) and Service Tax Regulations 2018, any person who provides information technology services is subject to service tax. The rate of service tax shall be charged at the rate of 6%.

An information technology service provider reaching the prescribed threshold of total value of taxable services of RM500,000 per annum is required to register itself with the Royal Malaysian Customs Department.

Any person who intends to evade or assist any other person to evade service tax commits an offence and shall on conviction, be liable to a fine not less than 10 times and not more than 20 times the amount of service tax or to imprisonment for a term not exceeding 5 years or to both.

As advised by the Malaysia Legal Adviser, STA 2018 allows every registered person who provides any taxable service to collect the amount of service tax payable from the customer in addition to the value and any other amount due and payable by the customer in respect of the taxable service. Our Malaysia Legal Adviser further confirmed that our Group have submitted all the service tax returns and have made all the SST payments during the taxable period commencing from 1 September 2018 up to the Latest Practicable Date to RMCD within the prescribed period and there is no non-compliance by our Group in respect of the applicable requirements under the STA 2018.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### OVERVIEW

We are a Malaysian-based outsourced document management services provider and related software applications and enterprise solutions developer. Our Group was founded by two siblings, Mr. F Ling and Mr. W Ling, in 2000 when they incorporated Compugraphic Media to provide outsourced printing and fulfilment services. In July 2002, we incorporated our second operating subsidiary, Coeus Systems, and began developing our proprietary enterprise applications to facilitate the production of our outsourced printing and fulfilment services. Our products and services are based primarily on a suite of proprietary enterprise software applications called the “Streamline Suite”, which was developed in-house independently. The Streamline Suite comprises documentation-related capabilities that range from data hosting, graphic design, document composition, data extraction, high-speed printing, file conversion, encryption of enterprise grade security, email distribution and browser-based interface operation for providing customers’ access to data. Since our establishment, we have gradually expanded the number of customers in each of the industries that we served from our first customer in the banking industry in 2002 to 109 customers in the banking, insurance and retail industries for the year ended 31 December 2018. Many of such customers or their parent companies are listed on the Malaysia and Singapore Stock Exchanges and many of whom are well-established and well-known corporations within their respective industries.

On 13 June 2018, we, among other things, incorporated our Company as the listing vehicle of our Group for the purpose of the Listing. Through a series of issue and allotment and transfer of shares in the subsidiaries in our Group, the Reorganisation was completed on 23 January 2019, whereby all such subsidiaries become wholly-owned subsidiaries of our Company. For details, please see the paragraph headed “Reorganisation” in this section.

On 20 June 2018, we incorporated C Link Malaysia to dedicate resources in obtaining MSC status for our Group.

### BUSINESS MILESTONES

The table below shows our key achievements and business milestones since our establishment:

February 2000	Incorporated Compugraphic Media as our first operating company to commence our outsourced printing and fulfilment service provision operations.
September 2000	Awarded a contract for provision of cheque printing by Customer G, the Malaysian branch of an international banking group.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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July 2002	Incorporated Coeus Systems as our second operating company to develop proprietary enterprise applications to facilitate the production of our outsourced printing and fulfilment services.
July 2003	Commenced marketing of “Streamline DocCom”, currently being one of the applications of our “Streamline Output Management System” (or “Streamline OMS”).
Early 2003	Began operating our IT infrastructure at our headquarters for data transfer and processing.
April 2004	Acquired a parcel of land of total area of approximately 4,846 square meters for the development of our production and processing facilities.
August 2005	Commenced marketing of “Streamline CDARS” (which was subsequently upgraded and renamed as “Streamline Electronic Document Warehouse” (or “Streamline EDW”) in 2018.
March 2011	Awarded a contract for provision of enterprise software solutions services for the use of our Streamline DocCom by Customer B.
December 2012	Acquired a parcel of land of total area of approximately 1,253 square meters for the development of our business recovery facilities.
November 2015	Acquired additional premises of approximately 6,374 square feet by way of tenancy to accommodate business growth.
January 2016	Awarded a contract for provision of enterprise software solutions services for the use of our Streamline OMS by Customer H.
February 2017	Commenced marketing of Streamline OMS, being an extension of Streamline DocCom that was originally launched in 2003.
February 2017	Awarded a contract for provision of outsourced printing and electronic document fulfilment services by Customer I, one of the leading domestic insurance company in Malaysia.
March 2018	Commenced marketing of Streamline EDW, being an extension of Streamline CDARS.  Renovation and expansion of our data centre for more data hosting capacity

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### CORPORATE DEVELOPMENT

#### **Our Company**

Our Company was incorporated in the Cayman Islands on 13 June 2018. The initial authorised share capital of our Company was HK\$380,000 divided into 38,000,000 ordinary Shares of a par value of HK\$0.01 each. Please refer to the paragraph headed “Reorganisation” in this section for the details of the shareholding changes in our Company. As at the Latest Practicable Date, our Shares were owned as to 50% and 50% by Flash Dragon and Jupiter Rain, respectively.

#### **Our operating subsidiaries**

As at the Latest Practicable Date, we had a total of three operating subsidiaries, the details of which are set out as follows.

##### ***Compugraphic Media***

On 10 February 2000, Compugraphic Media was incorporated in Malaysia, with an initial issued share capital of RM2, divided into two shares of RM1 each, to commence our outsourced printing and fulfilment service provision operations. Since its incorporation and immediately prior to the commencement of the Reorganisation, each of Mr. F Ling and Mr. W Ling had legally and beneficially held 50% of the issued shares in Compugraphic Media.

##### ***Coeus Systems***

On 12 July 2002, Coeus Systems was incorporated in Malaysia as a second operating company with an initial issued share capital of RM2, divided into two shares of RM1 each, as we began to develop our own proprietary enterprise applications to facilitate the production of our outsourced printing and fulfilment services. Since its incorporation and immediately prior to the commencement of the Reorganisation, each of Mr. F Ling and Mr. W Ling had legally and beneficially held 50% of the issued shares in Coeus Systems.

##### ***C Link Malaysia***

On 20 June 2018, C Link Malaysia was incorporated in Malaysia as the third operating subsidiary of our Group to dedicate resources in obtaining MSC Malaysia status for our Group. At incorporation, one share in C Link Malaysia was allotted and issued to each of Mr. F Ling and Mr. W Ling, respectively.

Since its incorporation and immediately prior to the commencement of the Reorganisation, each of Mr. F Ling and Mr. W Ling had legally and beneficially held 50% of the issued shares in C Link Malaysia.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### CONCERT PARTY DEED

On 18 February 2019, Mr. F Ling and Mr. W Ling, as our Controlling Shareholders, executed the Concert Party Deed, pursuant to which, Mr. F Ling and Mr. W Ling confirmed to each other that, for the entire duration when both of them were/are contemporaneously either the legal owners of shares and/or the business beneficiaries in each of our subsidiaries and, after the incorporation of our Company:

- (a) they had agreed to, and shall continue until the termination of the Concert Party Deed to, consult each other and reach an unanimous consensus among themselves on such matters being the subject matters of any shareholders' resolution, prior to putting forward such resolution to be passed at any shareholders' meeting of our Company and our subsidiaries (as the case may be), and have historically voted on such resolutions in the same way;
- (b) they have been enjoying, and shall continue to enjoy, the economic benefits generated from all our subsidiaries from the businesses and projects of our Group until the termination of the Concert Party Deed, which include but shall not be limited to, dividends declared or to be declared (if any), from the businesses and projects of our Group;
- (c) where there was or is any suitable business opportunity or project for our Group, they have been engaging in, and shall continue until the termination of the Concert Party Deed to engage in, discussions as to whether they should participate and, if so, in whose name amongst themselves they should participate and the extent of participation in terms of investment and management; and
- (d) they have centralised, and shall continue until the termination of the Concert Party Deed to centralize, the ultimate control and right to make final decisions with respect to their interests in the businesses and projects of the Group.

Accordingly, Mr. F Ling and Mr. W Ling, will, together, be entitled to exercise and control approximately 75% of our entire issued share capital immediately upon completion of the Share Offer (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme).

### REORGANISATION

In June 2018, we undertook the Reorganisation to consolidate our operations in (i) outsourced document management services provision and (ii) enterprise software solutions development for document design, composition, creation, output distribution, repository and content access, into an offshore corporate holding structure in anticipation of our Listing.

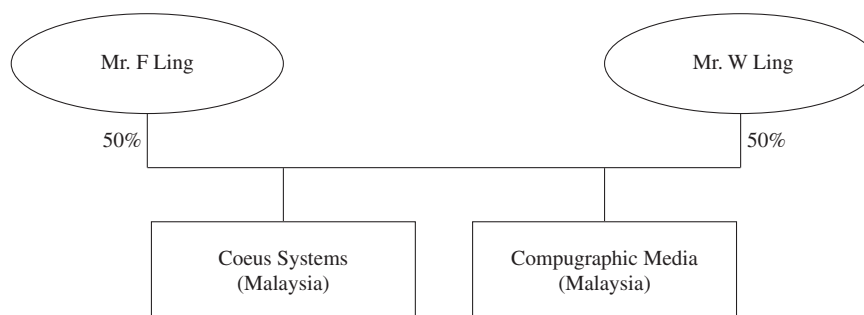
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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### Shareholding structure of our Group immediately prior to the Reorganisation

The chart below sets forth the shareholding structure of our Group immediately prior to the Reorganisation.



#### 1. Incorporation of Flash Dragon and Jupiter Rain

On 11 June 2018, Flash Dragon was incorporated in BVI with limited liability and is authorised to issue 50,000 shares of US\$1 par value each of a single class. On 11 June 2018, 100 fully-paid shares in Flash Dragon were allotted and issued at par value to Mr. F Ling. Since its incorporation and up to the Latest Practicable Date, Flash Dragon had been wholly owned by Mr. F Ling, legally and beneficially.

On 12 June 2018, Jupiter Rain was incorporated in BVI with limited liability and is authorised to issue 50,000 shares of US\$1 par value each of a single class. On 12 June 2018, 100 fully-paid shares in Jupiter Rain were allotted and issued at par value to Mr. W Ling. Since its incorporation and up to the Latest Practicable Date, Jupiter Rain had been wholly owned by Mr. W Ling, legally and beneficially.

#### 2. Incorporation of our Company

On 13 June 2018, our Company was incorporated as an exempted company with limited liability in the Cayman Islands by an Independent Third Party as the initial subscriber. The initial authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On 13 June 2018, (i) one Share was issued and allotted to the abovementioned initial subscriber and then transferred from the same to Flash Dragon at par value of HK\$0.01, and (ii) 99 and 100 fully-paid ordinary Shares were allotted and issued to Flash Dragon and Jupiter Rain, respectively, at par value. Since then and up to the Latest Practicable Date, the Shares had been owned as to 50% and 50% by Flash Dragon and Jupiter Rain, respectively.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### 3. Incorporation of our BVI intermediaries and C Link Malaysia

#### **(A) Compugraphic BVI**

On 19 June 2018, Compugraphic BVI was incorporated in the BVI with limited liability and is authorised to issue 50,000 shares of US\$1 par value each of a single class. On the same day, 100 fully-paid shares in Compugraphic BVI were allotted and issued at par value to our Company, and Compugraphic BVI had been wholly owned by our Company, legally and beneficially.

#### **(B) Coeus BVI**

On 19 June 2018, Coeus BVI was incorporated in the BVI with limited liability and is authorised to issue 50,000 shares of US\$1 par value each of a single class. On the same day, 100 fully-paid shares in Coeus BVI were allotted and issued at par value to our Company, and Coeus BVI had been wholly owned by our Company, legally and beneficially.

#### **(C) C Link Malaysia**

On 20 June 2018, C Link Malaysia was incorporated in Malaysia with an issued share capital of RM2 divided into two shares. On the same day, one share in C Link Malaysia was allotted and issued to each of Mr. F Ling and Mr. W Ling, respectively and C Link Malaysia had been owned as to 50% each by Mr. F Ling and Mr. W Ling, legally and beneficially.

#### **(D) C-Link BVI**

On 16 August 2018, C-Link BVI was incorporated in the BVI with limited liability and is authorised to issue 50,000 shares of US\$1 par value each of a single class. On the same day, 100 fully-paid shares in C-Link BVI were allotted and issued at par value to our Company, and C-Link BVI had been wholly owned by our Company, legally and beneficially.



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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### 4. Transfer of shares of operating subsidiaries

#### *(A) Transfer of shares of Compugraphic Media*

On 11 January 2019, each of Mr. F Ling and Mr. W Ling entered into a form of transfer of securities to transfer 1,200,000 shares and 1,200,000 shares, respectively, in Compugraphic Media to Compugraphic BVI at a nominal consideration of RM1 and RM1 in cash, respectively, for the purpose of effecting the Reorganisation. The share transfers were completed on 23 January 2019. Upon completion of the aforesaid transfers and up until the Latest Practicable Date, Compugraphic Media had been wholly owned by Compugraphic BVI, legally and beneficially.

#### *(B) Transfer of shares of Coeus Systems*

On 11 January 2019, each of Mr. F Ling and Mr. W Ling entered into a form of transfer of securities to transfer 1,200,000 shares and 1,200,000 shares, respectively, in Coeus Systems to Coeus BVI at a nominal consideration of RM1 and RM1 in cash, respectively, for the purpose of effecting the Reorganisation. The share transfers were completed on 23 January 2019. Upon completion of the aforesaid transfers and up until the Latest Practicable Date, Coeus Systems had been wholly owned by Coeus BVI, legally and beneficially.

#### *(C) Transfer of shares of C Link Malaysia*

On 11 January 2019, each of Mr. F Ling and Mr. W Ling entered into a form of transfer of securities to transfer one share and one share respectively, in C Link Malaysia to C-Link BVI at a nominal consideration of RM1 and RM1 in cash, respectively, for the purpose of effecting the Reorganisation. The share transfers were completed on 23 January 2019. Upon completion of the aforesaid transfers and up until the Latest Practicable Date, C Link Malaysia had been wholly owned by C-Link BVI, legally and beneficially.

### Compliance with Applicable Laws and Regulations

Our Malaysia Legal Adviser confirmed that we have obtained all necessary approvals for effecting the Reorganisation from the relevant authorities in Malaysia and that the Reorganisation complied with relevant applicable laws and regulations in Malaysia.

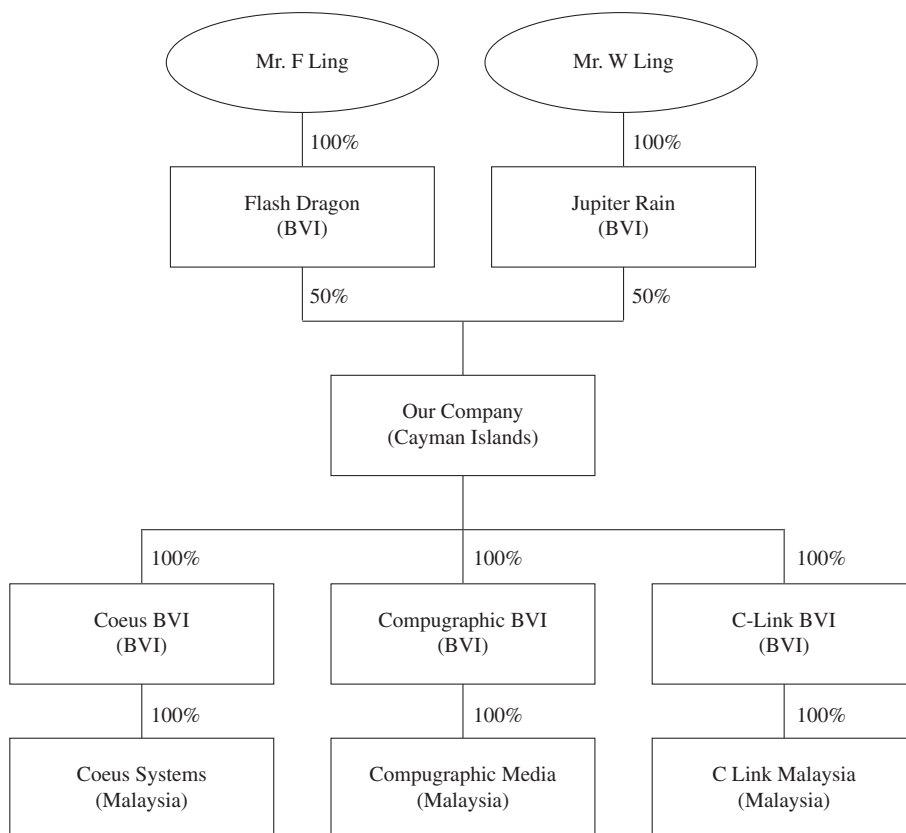
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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### Corporate structure immediately after the completion of the Reorganisation

The following diagram illustrates our corporate and shareholding structure immediately after the Reorganisation and immediately prior to completion of the Share Offer and the Capitalisation Issue.



### SHARE OFFER AND CAPITALISATION ISSUE

Conditional upon the share premium account of our Company being credited as a result of the Share Offer, our Company will capitalise all or a portion, as the case may be, of the balance of the share premium account and apply such sum in paying up in full at nominal value a total of 299,999,900 Shares and 299,999,900 Shares for allotment and issue to Flash Dragon and Jupiter Rain, respectively, in proportion to their respective existing shareholding immediately prior to the completion of the Share Offer. As a result, Flash Dragon, Jupiter Rain and the public will hold 37.5%, 37.5% and 25.0%, respectively, of the enlarged share capital of our Company immediately upon the completion of the Share Offer and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares that may be issued pursuant to any option granted under the Share Option Scheme).

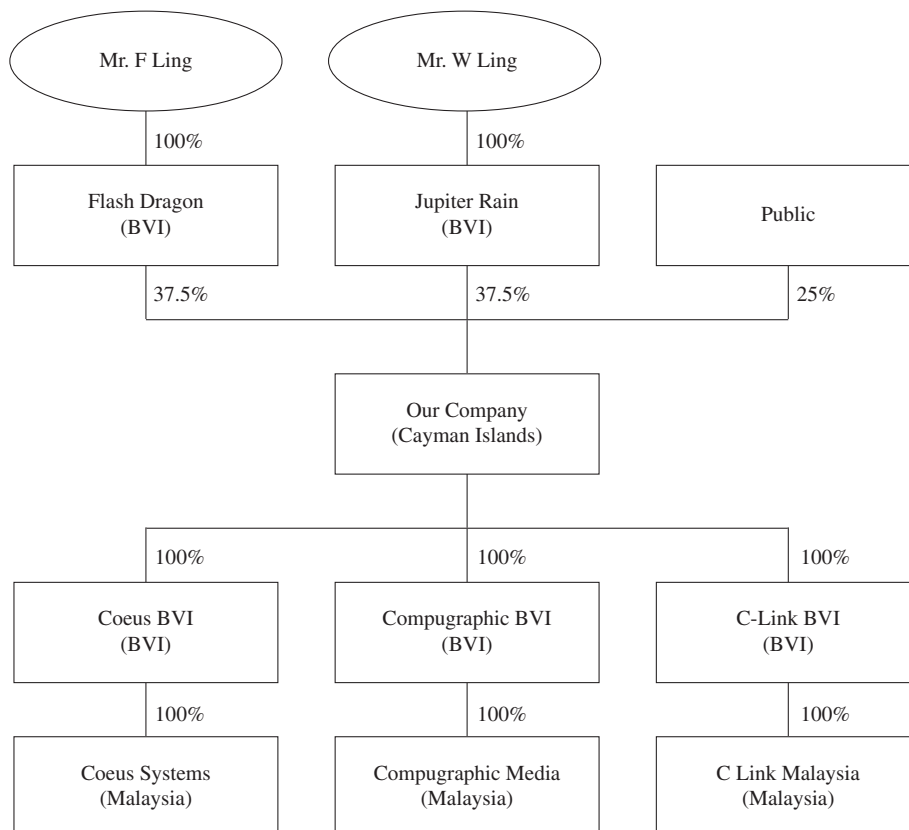
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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### Corporate structure immediately after the completion of the Share Offer and the Capitalisation Issue

The following diagram illustrates our corporate and shareholding structure immediately upon completion of the Share Offer and Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares that may be issued pursuant to any option granted under the Share Option Scheme).



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## BUSINESS

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### OVERVIEW

Founded in 2000 by two siblings, Mr. F Ling and Mr. W Ling, we are a Malaysian-based outsourced document management services provider and related software applications and enterprise software solutions developer. Our outsourced document management services include (i) electronic document delivery; (ii) document print & mail fulfilment; (iii) MICR Cheque print & mail fulfilment; (iv) medical ID card print & mail fulfilment; and (v) document imaging and scanning services. According to the CIC Report, we were ranked second in terms of revenue generated from the provision of document management services in Malaysia in 2019.

In or around 2005, we commenced developing our proprietary software that focused on digital transformation of documents and information and providing outsourced services in electronic document, print document delivery and document management hosting services for Malaysian companies in the banking, insurance and retail industries. In August 2018, we repackaged our various software and relaunched them as our Streamline Suite. Details of our proprietary software is set out in the section headed “Business – Our Streamline Suite” in this prospectus. The Streamline Suite capabilities range from document template design, data hosting, document composition, data extraction, high-speed printing, email distribution and Internet browser-based interface operation for providing customers’ access to data. While compatible with different operating systems such as Microsoft Windows, UNIX and LINUX, the Streamline Suite was developed independent of operating system without having to rely on, and hence are not limited by, any other third-party software applications. As such, we have been able to customise the applications to tailor to their business requirements. In addition to using our proprietary software for our outsourced document management services during the Track Record Period, we also provide enterprise software solutions to our customers.

As at the Latest Practicable Date, the Streamline Suite consists of three systems as follows:

1. Streamline Output Management System (OMS) – a suite of application that enables business enterprise to capture, design, format, create, archive and distribute document in hardcopy or electronic form with the data created from its operational applications;
2. Streamline Electronic Document Warehouse (EDW) – a document content hosting and management application that used to provide our customers with the capability to host their documents in our data centre and makes them available to the customers over the internet. This application is an evolution and progression of outsourced document management that enables the adoption of the “software as a subscription” or “SaaS” model for delivering software application. The delivery of our outsourced document management services by way of SaaS is in line with the global market trend in the document management services market as further detailed in the section headed “Industry Overview” in this prospectus.

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## BUSINESS

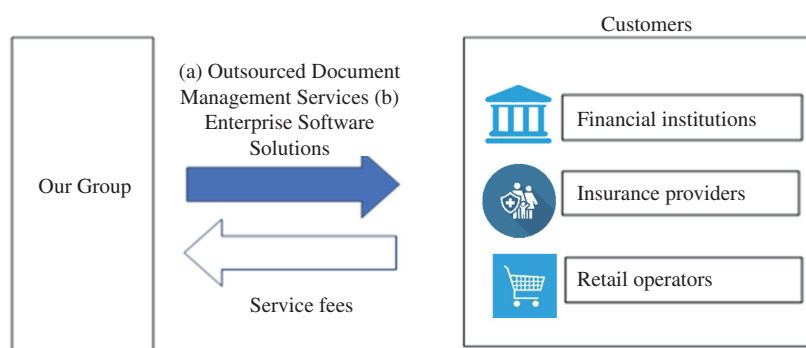
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3. Streamline Document Management System (DMS) – a software application that manages documents, electronic documents created in the business process, which achieves higher efficiency in business process and enhances customer experience.

For further details of our Group's Streamline Suite, please refer to the section headed "Business – Our Streamline Suite" in this prospectus.

### Our Business Model

We have a stable business based on our long-term relationship with our major customers and providing outsourced document management services and enterprise software solutions.



Our revenue model for each of our Group's business streams is summarized below:

- i) Outsourced Document Management Services – The provision of document management services is the processing of data provided by our customers using our proprietary software, Streamline Suite. The data is processed, assembled and converted to an electronic document which can be printed and sent through traditional post or delivered in digital formats to our customers' end clients. We generally charge our customers unitised, managed and programming fees which will vary depending on the volume, scope of work and complexity.
- ii) Enterprise Software Solutions – The provision of enterprise software solution is the licensing of our proprietary software, Streamline Suite, to customers and which may be installed at our customers' location or provided through the cloud/our data centre. We generally charge customers based on a base pack price of five users and extension pack for additional users based on 25 to 30 users. We also charge implementation fees, programming fees and annual maintenance fees which depend on the customer's needs, scope of services, complexity and size of operations.

Our proprietary software, Streamline Suite, is developed by our in-house R&D team and we do not rely on any third party to develop our software. To meet the specific needs of our customers, we are able to customize our proprietary software to our customer's needs.

### **Our Group's IT infrastructure**

During the Track Record Period, our outsourced document management services and enterprise software solutions were provided through our Group's IT infrastructure that includes 28 racks in our office location, 13 racks in our production & recovery centre and 2 racks in our legal documents fulfilment centre containing web, application and database servers, enterprise storage devices, network switches, domain controllers, domain name servers software security systems such as firewalls and intruder detection intrusion prevention system. Our Group's IT infrastructure was not purposely built and was added to our operations in or around 2003 on a piecemeal basis to broaden our product offerings and adapt to the environment where the outsourced document management services has steadily evolved with the global advancement in technology and electronic delivery capabilities to reduce printed documents. As such, our outsourced document management services have also developed in stride to provide more digitised solutions, which require data centres meeting standards for hosting of information and provision of software applications through the cloud environment. In July 2019, Bank Negara Malaysia issued the RMIT which sets out the technology risk management framework required by Bank Negara Malaysia and became effective on 1 January 2020. According to the RMIT, the production data centres and recovery data centres used by FI must be concurrently maintainable which shall be similar or equivalent to the international standards of Tier 3 requirements. Our Group has entered into an agreement dated 2 October 2019 with the owner and provider of a Tier 3 data centre to exclusively lease certain number of racks space to continue to provide our services to the FI customers which are subject to the RMIT requirements. As at the Latest Practicable Date, the Group has leased and relocated 43 racks to such third-party Tier 3 data centre to satisfy the demand from our Group's FI customers. As at the Latest Practicable Date, our Group's existing IT infrastructure was operating at 100% utilisation. According to the CIC Report, we compete with 50 to 100 market players but unlike us, the majority of our competitors that offer similar output management solutions in Malaysia are resellers of software. As our Streamline Suite is our Group's own proprietary software, we have the flexibility to adapt and customise our solutions for our customers.

## BUSINESS

Since our establishment, we have gradually expanded the number of customers in each of the industries that we served from our first customer in the banking industry in 2000 to 21 customers in the banking industry as at 30 September 2019. For our customers in the insurance industry, we have increased from our first customer in the insurance industry in 2007 to 24 customers in the insurance industry as at 30 September 2019. For our customers in the retail industry, we have increased from our first customer in the retail industry in 2009 to 62 customers in the retail industry as at 30 September 2019. All of our top five customers during the Track Record Period have been customers of our Group for a minimum of ten years. Further, many of our customers or their parent companies are listed on the Malaysia and/or Singapore Stock Exchanges, many of whom are well-established and well-known corporations within their respective industries. For more details relating to our customers, please refer to the section headed “Business – Customers” in this prospectus.

During the Track Record Period, we derived substantially all of our revenue from the provision of (i) outsourced document management services and (ii) enterprise software solutions. The table below is a breakdown of our Group’s revenue by revenue stream and as a percentage of our total revenue during the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2016		2017		2018		2018		2019	
	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%
Provision of outsourced document management services	66,439	97.4	69,456	97.8	65,176	97.1	47,644	97.4	48,503	89.4
Provision of enterprise software solutions	1,759	2.6	1,588	2.2	1,919	2.9	1,275	2.6	5,763	10.6
	68,198	100.0	71,044	100.0	67,095	100.0	48,919	100.0	54,266	100.0

## OUR COMPETITIVE STRENGTHS

### Proprietary technology and process advantage

Our Streamline Suite application was developed by our in-house R&D team under our IT department and as such, we do not rely on any third party to develop our software or on any software to be licensed to us for our business. We decided early on to develop our own proprietary software in-house, a move that we believe has allowed us to remain adaptive, entrepreneurial and nimble throughout the last 18 years.

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## BUSINESS

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Since 2003, when we first commenced marketing of Streamline DocCom through which we offered only printing and mailing services, we had continuously expanded our service offerings to efficiently and timely adapt our Streamline Suite alongside technological advancement in highspeed data transmission and the trend of digitalisation. Since then and throughout the Track Record Period, we had leveraged on the flexibility of our proprietary developed Streamline Suite application and had expanded our offerings thereunder to include services ranging from scanning, archiving, PDF conversion, SMS and email delivery, data hosting for providing our services on SaaS model to satisfy specific and unique operational requirements of our customers, for example, banks and insurance companies which are subject to tight security requirements as directed by Bank Negara Malaysia. For further details relating to the timeline and milestones of our business development, please refer to the section headed “History, Reorganisation and Corporate Structure – Business Milestones” in this prospectus.

According to the CIC Report, the trend of documentation digitalisation is expected to continue and the demand for outsourced documentation related process will result in a CAGR of 6.7% increase in total market value between 2019 and 2024 in Malaysia. We believe our proprietary technology gives us the edge to keep up with the rapidly changing technological advancement in the IT space in the most independent and cost-effective manner and to capture the market growth in digital documentation era. Our Directors also believe that by offering our proprietary software, we are able to build a closer relationship with our customers who, to a certain extent, become dependent upon our software.

As at the Latest Practicable Date, our Group’s R&D team under our IT department comprises eight staff members and is headed by Mr. W Ling, one of the co-founders and Controlling Shareholders and an Executive Director, and who has over 23 years of experience in the software development industry. The majority of our R&D staff in our IT department are university graduates who are academically trained in software programming and they have over five years of programming experience. For further details, please refer to the section headed “Business – Research and Development” in this prospectus. We have invested in and nurtured talented individuals, cultivated a culture of innovation and possess a clear vision of where we are heading. With these, we have created a strong, successful and dynamic team that is competitive and adaptive to the ever changing, emerging technology and processes.



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## BUSINESS

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### Established and loyal customer base

Since our establishment in 2000, we have focused on providing document management service and developing software applications that meet the needs of our customers in the banking and insurance industries. Our established reputation and customer recognition of our quality services and software have been the critical factors in maintaining our well-established and stable customer base. Our on-going relationships with our existing customers are important and critical to the development of our business in the future. Our single largest customer during the Track Record Period, who has approximately 13 years of business relationship with our Group, is one of Malaysia's leading and well-established licensed banks that has consistently utilised our outsourced document management services throughout the Track Record Period. Further, during the Track Record Period, we also provided our services to 19 out of the approximately 57 banks in Malaysia and to 24 out of the approximately 62 insurance companies in Malaysia. As at the Latest Practicable Date, our length of business relationship with our five largest customers for the year ended 31 December 2018 was a minimum of ten years. The below table sets out the average length of relationship with our customers for the Track Record Period:

	Year ended 31 December			Nine months ended
	2016	2017	2018	30 September 2019
Average number of years of relationship with our customers	<u>5</u>	<u>5</u>	<u>6</u>	<u>7</u>

*Note:* The average number of years of relationship with our customers was calculated based on the number of years since the first year of transaction with our customers up to the respective year/period end date.

With exception to three agreements that we did not renew, all of the agreements that expired during and subsequent to the Track Record Period and up to the Latest Practicable Date have been renewed or are in the process of being renewed.

We believe that our established and stable customer base throughout our Track Record Period can be seen as a testament of trust from our customers in our services and proof of our ability to consistently meet our customers' needs. We will continue to focus on nurturing our relationship with our existing customers and gaining new customers within the banking, insurance and retail industries in Malaysia and the neighbouring Singapore. With our stable relationships with our customers in the banking and insurance industries, we believe we are well-positioned to expand our Group's regional business.

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## BUSINESS

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### **We are an acceptable service supplier to banks**

According to the CIC Report, as software applications become more developed and advanced, over time, corporations are becoming more reliant on customised, high-end software technology and are more eager to outsource non-core operations to third-party service providers so that they can focus their resources on core business activities. Pursuant to Bank Negara Malaysia's Guidelines on Outsourcing of Banking Operations (the "**Guidelines**") which came to force in April 2000, any banking institutions that are planning to outsource their activities to outsourced service providers must first notify Bank Negara Malaysia of the details of the outsourced service provider. Further, according to the CIC Report, new comers will find it rather difficult to meet the Guidelines, as it requires outsourcing service provider to have track record in terms of serving FI, complying with any of the requirements of banks as well as satisfying any concerns related to data security. According to the CIC Report, there are not more than 30 outsourcing service provider offering outsourced document management services to FI in Malaysia. Therefore, any new market entrant will also be subject to the strict requirements of Bank Negara Malaysia in order for them to provide outsourced document management services to the FI. Our Group has been an outsourced service provider to banking institutions since early 2000 and since then our Group has not been rejected by the Bank Negara Malaysia to be an outsourced provider to the banks in Malaysia and therefore we believe our experience and ability to remain in the Malaysian banking industry as an outsourced service provider is a testament to our ability to meet the strict regulatory requirements implemented by Bank Negara Malaysia.

According to the CIC Report, our software is synonymous with quality and effective enterprise software solutions used by companies in the banking and insurance industries to manage the process of creating, accessing and storing documentations. By establishing a solid footprint within these market segments, we believe that we are well positioned to further capture a larger share of the market and potentially expand into other market segments.

### **Experienced management team with a proven track record of delivering growth**

Our Group is led by our co-founders, Mr. F Ling and Mr. W Ling, both of whom possess extensive expertise and industry knowledge which enables us to understand the needs of our customers in order to deliver consistent quality products that meet their requirements. Mr. F Ling, one of our Executive Directors, co-founders and Controlling Shareholders, has more than 20 years of experience in the business process outsourcing industry. He provides strategic leadership and has been instrumental in developing our Group's business, establishing and maintaining a close relationship with our major customers. Mr. W Ling, one of our Executive Directors, co-founders, and Controlling Shareholders has extensive programming experience and is the director of our Group's software development. Mr. W Ling is also responsible for marketing our brand, services and products to new and existing customers. He provides technical leadership, vision, direction, and mentoring for multiple software engineering teams which design, develop, and support the Streamline Suite applications. He has been instrumental in designing and optimising Streamline Suite's product and feature roadmaps based on which our Group has demonstrated and delivered

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## BUSINESS

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distinctive capabilities in serving its customers. Our management level operation staff have over ten years of experience in the business process outsourcing industry in Malaysia. As a team, our senior management takes ownership for the success of our customers, employees and shareholders and has strived to deliver innovative, quality and customised products and services. Our Group's revenue growth demonstrated our management team's proven track record.

### OUR BUSINESS STRATEGIES

In recent years, we have seen a growth in outsourced document management services as well as an increase in demand for digitised services. The primary market drivers will be from the promotion of paperless offices and work space, tax incentives granted by the Malaysian Government to promote the IT industries and streamlining of core operations as a result of increasing labour costs. Further, we believe that this growth in demand for digitisation has been, and is likely to continue to be, driven by factors such as the (i) general sentiment worldwide to adopt environmentally friendly practices; (ii) new regulatory policies in Malaysia; (iii) inability for companies to drive additional revenue and have the need to reduce costs; and (iv) technological development.

Further, we believe that our achievement in developing and launching our proprietary Streamline Suite to the market will allow us to offer a wider range of solutions to customers, which will in turn diversify our sources of revenue. We believe that our past achievements will form our Group's solid base upon which we will scale up our Group's operations in the future by:

- 1) Increasing our technological capability and capacity by enhancing our proprietary software and to:
  - a. Upgrade our document management system to support Microsoft Dotnet Core and Java that is platform independent
  - b. Develop software to reduce manual business processes and increase automation in the document workflow
  - c. Make our Streamline Suite compatible on mobile OS
  - d. Develop document certification software using blockchain technology which will enable a reduction in paper trail
- 2) Expanding our market presence in Malaysia and Singapore and exploring further expansion regionally to capture further market share; and
- 3) Increasing our Group's visibility, operational efficiency and profitability through obtaining MSC Malaysia status.

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## BUSINESS

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To achieve our goals, we proposed to implement the following strategies:

**1. Expanding our Group's data processing and technical capacity**

- (a) *Build a new data centre to upgrade our IT infrastructure for expanding our outsourced document management services and our enterprise software solutions*

During the Track Record Period and as at the Latest Practicable Date, our Group's existing IT infrastructure comprising of servers, network connectivity and data centre hardware such as network equipment (i.e. routers and switches), data storage systems (i.e. hard drive), power supply forms the backbone of the data centre upon which our outsourced document management services and enterprise software solutions are provided.

Our Group had begun generating revenue directly from data hosting through offering (i) outsourced document management services to the customers through outsourced data/document processing, print and electronic software fulfilment services using the OMS and DMS applications within our Streamline Suite and (ii) enterprise software solutions using Streamline EDW (i.e. SaaS) during the Track Record Period. The revenue generated directly from data hosting through outsourced document management services for the three years ended 31 December 2018 and the nine months ended 30 September 2019 was approximately Nil, RM179,000, RM149,000 and RM87,000, respectively and the revenue generated directly from data hosting through enterprise software solutions using Streamline EDW for the three years ended 31 December 2018 and the nine months ended 30 September 2019 was approximately Nil, Nil, RM473,000 and RM293,000, respectively. We expect to continue to do so by setting up the new data centre and expanding our data hosting capacity and improving the IT related infrastructure. We believe that as a whole, the new data centre other than the data hosting capacity, will provide our Group with an upgraded IT infrastructure with significantly better internet accessibility and power supply stability as well as achieving Tier 3 standards, all of which are standards currently required by the market and most of our customers. We believe that all these are critical to our Group's continuing ability to generate sustainable income in the future. We also believe that the new data centre will act as a catalyst for our Group's future business direction and growth. Also, it is the platform for our Streamline Suite technology product development.

Our outsourced document management services industry has evolved rapidly in the last few years along with the advances in internet technology; and our Group has foreseen and adapted our business model to this change in stride. The delivery channel for our business was principally through print and mail (i.e. traditional post) in the past; however, in today's environment, customers have adopted delivery through email and internet portal as the prevalent channel. Therefore, for our Group's business to be sustainable in the long run, we need to continue satisfying our customers' demands in digitalising their documentation processes and to keep up with developments in the markets and offerings of our competitors. To do so, we must continuously evolve and revamp our service offerings under the

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## BUSINESS

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Streamline Suite applications towards more efficient data processing, electronic fulfilment and solutions delivery models, which in turn will help customers use their information more effectively and will also help customers move from a “print for less” model to “print less” model.

Meanwhile, with internet delivery, our Group requires computer servers to be housed in a data centre with access to stable power supply and internet connectivity that meets our financial customers’ and Bank Negara Malaysia’s upcoming requirements, as set out in the policy document issued by Bank Negara Malaysia on Risk Management in Technology which became effective on 1 January 2020 (the “**RMIT**”).

According to the RMIT, it sets out Bank Negara Malaysia’s expectations with regard to the technology and risk management framework and practice of FI. In particular, the RMIT states that production data centres and recovery data centres used by FIs must be concurrently maintainable which shall be similar or equivalent to the international standards of Tier 3 requirements. For details, please refer to the section headed “Regulatory Overview – Overview of Malaysian Laws and Regulations” in this prospectus.

As at the Latest Practicable Date, our Group has discussed with our customers on the requirements and timeline of actions to fulfill the RMIT requirements. Given that the RMIT has only required FI to submit gap analysis and actions plans to address the gaps identified particularly for gaps that extend beyond the effective date of RMIT by 18 October 2019 and our Group has made an one-off transitional arrangement with our FI customers, our Directors do not see any immediate impact on our Group’s operations and financial performance. It is our Directors’ understanding that Bank Negara Malaysia will consider the gap analysis and action plans submitted by the FI before proposing any transitional arrangements.

To further ensure that our Group’s services to FI customers will not be interrupted during the construction of our new data centre and regardless of the length of any transitional period that may be granted by Bank Negara Malaysia to the respective FI customers, our Group has discussed and agreed with our major FI customers that our Group be allowed for a period of not more than 24 months starting from 1 January 2020 as an one-off transitional arrangement, to temporarily lease rack space from a third-party Tier 3 data centre in order for our Group to comply with the relevant requirements for the RMIT. All of these major FI customers, who granted the one-off transitional arrangement had also confirmed to us that (i) they had already submitted to Bank Negara Malaysia a gap analysis which incorporated the said transitional arrangement; and (ii) they had not received any objection of any form from Bank Negara Malaysia.

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The Group has entered into an agreement dated 2 October 2019 with the owner and provider of a Tier 3 data centre located at CJI Centre, Phase 1, No. 1, Jalan Cyber Point 4, Cyber 8, 63000 in Cybercity with approximately 68,000 sq.ft. of gross area, to exclusively lease certain number of racks space to continue to provide our services to the FI customers which are subject to the RMIT requirements. The owner of the data centre is a private company limited by shares and is engaged in investment holding, rental of premises with computer site facilities, provision of computer site facilities and infrastructure services. The provider of the data centre is a wholly owned subsidiary of a company listed on the Bursa and is principally involved in the provision of information communications technology security business, digital contents business and e-commerce business. As at the Latest Practicable Date, the Group has leased and relocated 43 racks to such third-party Tier 3 data centre to satisfy the demand from our Group's FI customers and expect to lease up to 97 racks progressively and immediately before the new data centre is operational. The third-party Tier 3 data centre also confirmed that they will lease and make available additional rack to the Group upon request. In considering whether the rack rental costs are fair and reasonable as compared to market rates, we have considered four other locations and have chosen the one with the lowest rental rates.

Prior to entering into the data centre lease we have also considered the strict security measures that are implemented by the data centre provider such as, *inter alia*, strict control on customer data security and accessible only by the designated person of the respective tenant to the specific lease racks on a 24/7 basis, each tenant is assigned a separate room with only one set of access card and keys, all rooms and corridors of the data centre are monitored by surveillance camera, general security measure restricting the access to the data centre and the leased rack space. Any visitors or staff of each tenant other than designated persons must notify and get approval from the management of the data centre before they can enter the data centre. Each rack installed in the designated room is locked and each tenant is given only one set of access card and key. Other than the physical security control of the data centre, our Group is allowed absolute and exclusive control over the use of the relevant leased racks during the lease term.

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As a result of entering into the data centre lease arrangement, our Group has not received from any of its customers any notice for termination of services nor have we lost any customers as a result of entering into the data centre lease arrangement. The service quality of our services provided to our customers has not been affected as we can provide robust support to IT hardware, expansion needs, application and maintenance measures whether it is located at our self-owned or leased data centre and prior to entering into the data centre lease arrangement, we studied the security measures that were in place at the data centre and given that we were able to maintain absolute control over the leased rack space together with the security measures implemented by the data centre provider, we do not believe that our Group's operations have been in any way adversely affected and we are of the opinion that data centre lease arrangement has not compromised the security of our customer's hosted information and privacy.

Other than to comply with the RMIT requirements, our Group must seek consents from our FI customers as it is our understanding that FI customers do not allow, for reasons such as, data security, cyber security, and premise security, for data to be processed by us to be stored or held in external data centres or for us to relocate their data processing centre without prior consents. In order for us to ensure that we are in compliance with our FI customer's internal control and cyber security requirements, we are required to obtain consents from our FI customers for the transitional arrangement. As at the Latest Practicable Date, 39 out of our 47 FI customers, including those engaged our Group for services which involve no data transmission and processing and are not subject to RMIT policy, have been notified of our Group's transitional arrangement of leasing of a third-party data centre and none of our FI customers have had any objections to such arrangement. The aggregate revenue generated from these FI customers contributed to approximately 99.5%, 99.9%, 100.0% and 99.7% of the Group's total FI revenue during the Track Record Period, respectively. Our FI customers have also confirmed that (i) the lease arrangement of the data center will not affect FI customers' demand for the Group's services, (ii) the terms and conditions of the agreement between FI customers and the Group is unaffected by the lease arrangement and there is no effect on the fees or change in service fee structure due to the lease arrangement; and (iii) they are aware of and are satisfied with the data center security practices and controls implemented by the Group and the leased data center, CJ1 Centre, and the effective risk management to handle the inherent risks of leased data centre. Whilst our Group will incur additional rental costs as mentioned above, those customers that we have obtained consent from have not requested our Group to lower our service fees. The remaining eight FI customers for which the Group did not obtain consent to the transitional arrangement from were not recurring and the services provided to them were one-off in nature. The aggregate revenue contributed by these eight customers were approximately 0.4%, 0.1%, 0.02% and 0.2% of the Group's total revenue during the Track Record Period, respectively.

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The financial impact for the Group to temporarily lease rack space from a third-party Tier 3 data centre, considering a total of 53 and 97 racks (consisting of existing 43 racks and additional racks for new demands from customers), for the year ending 31 December 2020 and six months ending 30 June 2021, respectively will be an additional rental costs of approximately RM2.5 million and RM2.0 million for the same periods, respectively. If our Group's data centre is not ready by 1 July 2021 and we need to further accommodate the additional required rack space through renting of the third-party data centre up to 31 December 2021, the total amount of data centre rental costs would be approximately RM7.8 million for the year ending 31 December 2021. The data centre rental costs already includes the operation cost of the leased racks, power and electricity cost, infrastructure building, cooling system, internet bandwidth and physical security/maintenance cost. Our Group will use its existing IT staffs for on-site works in the third-party Tier 3 data centre and therefore our Directors do not expect there will be material costs to be incurred for on-site staff in the leased data centre. Further, as our Group is also able to remotely monitor and access the servers in the third-party data centre and therefore, there will be no additional operating costs except for the travelling costs of on-site staff, which is negligible.

Had the data centre lease arrangement been put in place during the Track Record Period, our Group would have incurred additional data centre rental and set up costs of approximately RM2.2 million, RM2.1 million, RM2.1 million and RM1.6 million for the three years ended 31 December 2018 and the nine months ended 30 September 2019.

As for the eight FI customers that have not given consent and assuming that their revenue is excluded during the Track Record Period, together with the additional costs incurred for the lease arrangement, the impact to the Group's financial during the Track Record Period is as follows:

	For the year ended 31 December			For the nine months ended 30 September
	2017	2018	2019	2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Decrease in operating profits from the FI customers who did not give consent to the lease arrangement of data centre (Note 1)	52	18	4	37
Rental costs of racks and set up costs (Note 2)	1,665	1,642	1,518	1,095
Negative impact on the historical financial performance	<u>1,717</u>	<u>1,660</u>	<u>1,522</u>	<u>1,132</u>

**Notes:**

- the amounts are calculated having considered the average gross profit margin and average tax effect during the Track Record Period;
- the amounts are calculated having considered the average tax effect during the Track Record Period.



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As confirmed by the owner and provider of the data centre, they do not provide data centre services to FI customers and are only a data centre whitespace developer and wholesaler which involves renting, leasing and selling data centre whitespace and does not offer outsourced document management services or enterprise software solutions to their customers.

Salient terms of Lease Agreement with third party Tier 3 data centre:

Term:	1 January 2020 to 31 December 2021
Racks:	A minimum of 43 racks of space
Fees:	One time rack server set up costs and monthly rental costs
Availability:	Racks space shall be made available subject to 45 days notice being given
Exclusivity:	The data center provider and data center owner will allow absolute and exclusive control over the use of the racks during the lease term.
Security:	The data center provider and the data center owner will implement security and privacy related upgrade reasonable requested.
Tier 3:	The data centre shall be compliant with the RMIT issued by the BNM.
Termination:	Agreement shall automatically terminate on the third anniversary of the date of its entry or by agreement of all parties. After 1 June 2021, the Agreement can be terminated at the sole discretion of either of Compugraphic Media or Coeus Systems and subject to providing two months written notice to the Data Centre Owner and Data Centre Provider. Neither of the Compugraphic Media or Coeus Systems will incur any additional penalties or payments as a result of such termination.
Laws:	Governed by and construed in accordance with Malaysia laws.

Other than (i) the aforesaid lease agreement and (ii) an affiliate company of the data centre provider under the same listed group acting as our Group's data centre consultant, none of the controlling shareholders, directors, senior management of the data centre owner and provider, or any of their respective associates, have any past or present relationship (business, financing or otherwise) with our Group, the Controlling Shareholders, the Directors, our Group's senior management and employees or any of their respective associates.

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However, our Directors believe that regardless of what transitional arrangements that may be allowed, compliance with the RMIT will in any event be certain and mandatory for all FI in Malaysia. As such, it follows that immediate investment in such data centre is hugely critical to our Group's on-going business and any further delay on such investment shall have material adverse impact on the Group's ongoing business, operations, financial performance and ability to effectively compete with other market players that have access to Tier 3 data centres. Specifically, since the majority of our Group's customers are from the financial industry and more than 80% of our revenues were generated from these customers, our Group's financial performance will significantly be affected if our Group's IT infrastructure is not upgraded or improved in response to the change in regulatory requirements in Malaysia.

Moreover, apart from the digitalisation trend, the gradual global adoption of SaaS for software application solution delivery will increase demand from new and existing customers to use our Streamline EDW through SaaS where their data or document can be hosted in our data centre. As at the Latest Practicable Date, our Group's existing IT infrastructure was operating at 100% utilisation. For details of utilisation rates, see the section headed "Business – Our IT Infrastructure" in this prospectus. In addition, as our customers are mostly FI that will require the data centre hosting their information to meet Tier 3 standard as a minimum, we believe that had our Group had a Tier 3 data centre, we could have marketed our services to a wider customer base.

In light of the above, we propose to eliminate our deficiency by building a data centre in Cybercity with access to 1Gbps internet to upgrade our IT infrastructure, being the backbone of our Group's operations in providing outsourced document management services, to Tier 3 standards and to expand our capacity to host customers' data for provision of our Streamline EDW through SaaS.

With the proposed investment to build our own data centre, our Group's business focus going forward will continue to provide our outsourced document management services to our customers. Our new data centre adds on to our Group's outsourced document management services by allowing our Group to host document and data for electronic distribution. As for the enterprise software solution services, our new data centre can enhance our data hosting capability.

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The following table sets out the dependencies on internet accessibility and stability and data centre standards in respect of our different service offerings:

Streamline applications	Description of Outsourced Services	Dependencies on		Relocation to New Data Centre
		Internet accessibility and stability	Tier 3 standards	
Streamline DocCom	Outsourced Print Mail Services	Low	Medium	Yes (only the servers)
Streamline OMS	Outsourced PDF Conversion & Email, SMS Delivery Services	High	Medium	Yes
Streamline EDW	Outsourced Scanning, Archiving, and Hosting Services (including on-site or off-site by SaaS)	High	High	Yes

Based on the above, our Directors intend to relocate our operations relating to Streamline OMS, and Streamline EDW to the new Tier 3 data centre once its construction and fitting out are completed.

We are unable to build the proposed Tier 3 data centre on our Group's owned properties as there are constraints on (i) location infrastructure and (ii) power and network accessibility. Details of the inadequacy of our Group's existing data centre are set out below.

*(i) Location infrastructure*

According to the RMIT, production data centre must be hosted in a dedicated space intended for data centre usage which is physically secured from unauthorised access and is not located in a disaster-prone area. Since our Group's own locations are not in a recognised IT supported location and lack infrastructure stability and availability, our Group's customers may need to individually audit and perform risk mitigation of our current data centre environment at our Group's existing premises. For a data centre like our current one, which is not recognised nor being built based on Tier 3 data centre specifications or better, such process is a very involving exercise as the customers need to ensure conformance for the data centre and that all the appropriate regulations are followed. Based on our Directors' experience, most customers are not willing to go through this strenuous exercise and therefore limiting the attractiveness of our data hosting offering and the marketing of our Streamline Suite in which EDW can be delivered on a SaaS basis. Further, according to the CIC Report, for larger FI, they also need to ensure data centres meet international standards equivalent to at least Tier 3 requirements.

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*(ii) Power and network accessibility*

Power and network accessibility is the backbone of the data centre. Multiple commercial power feeds are not available and there is only one utility feeder in our Group's existing premises. Due to this lack of power redundancy at the current facility, we do not guarantee data centre uptime to our customers in the event of power outages. Further, as at the Latest Practicable Date, our Group's current telecommunication infrastructure consists of 12 telephone lines, which allows for a maximum of 56 IP addresses, of which 45 are allocated to customers who are using our Group's services and represented an utilisation of approximately 80%. As advised by our internet service provider, they are unable to provide additional telephone lines to the area. As such, the attractiveness of our data hosting offering and the marketing of our Streamline Suite in which EDW can be delivered on a SaaS basis have been adversely impacted.

All these limited the internet accessibility and stability available to us and correspondingly, our Group's ability to continuously evolve, adapt and revamp our service offerings to keep up with market and digitalisation demand during the Track Record Period.

Therefore, going forward, as upgrading our existing data centre is not a viable possibility, having a purpose-built data centre that meets Tier 3 standards and the RMIT's requirements is not an option but a must have for our Group's business to grow and be sustainable in the medium and long run.

The below table is a comparison of the various limitations between the current locations and the proposed new location of the data centre:

Technical Specifications	Proposed Tier 3 data centre to be built at MSC	
	Our owned properties	recognised area/ Cybercity
Power supply to data centre	1 (no alternate available)	2 (One Primary, One Backup)
Mechanical & electrical equipment	1	N + 1 ( <i>Note 1</i> )
Downtime required during maintenance	Yes	None
Data centre availability	Not rated	99.98%
Data centre downtime per year	< 30 hours	< 1.6 hours

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		<b>Proposed Tier 3 data centre to be built at MSC recognised area/ Cybercity</b>
<b>Technical Specifications</b>	<b>Our owned properties</b>	
<b>Other information</b>		
Size of the data centre	data hosting facilities scattered in the three properties of our Group (Note 2)	3 floors with a total area of approximately 30,000 sq. ft.
Other benefits	Not applicable	Eligibility of applying for the MSC Malaysia status, and be entitled to various MSC benefits such as 100% tax exemption for up to 10 years. For details, please refer to the section headed “Regulatory Overview – (II) Laws and Regulations relating to MSC”

*Note 1:* ‘N’ refers to the minimum number of mechanical & electrical equipment required to support all the operations of the data centre. N+1 means that there is a backup in place should any single system component fails.

*Note 2:* Approximately 90 sq.m. of our Group’s premises at our office location with 28 racks is used to provide data hosting to our customers and has been fully utilised. Further, approximately 28 sq.m. of our Group’s premises at its production & recovery centre (with 13 racks) and approximately 2.5 sq.m. of our Group’s premises at the legal documents fulfilment centre (with 2 racks) have also been fully utilised.

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### Specifications of the proposed new data centre

Our Group's decision to build a 30,000 sq. ft. data centre is based on various factors, including, among others, estimated budget constraints, technical tolerance for failures and disruptions, Tier 3 data centre standards, telecom infrastructure standards for data centres, anticipation of immediate and long-term business strategies, repayment periods, expansion plans, technical requirements in the RMIT and advice of our data centre consultant as well as the suitability for the use of the plot of land in Cybercity.

In considering the feasibility of our Group's proposal to comply with the RMIT, we have considered the following: (i) we have the technical know-how to operate a data centre and have the necessary IT support; (ii) locations considered for our new data centre are located within Cybercity, which has world-class infrastructure and already has Tier 3 compliance data centres; and (iii) our proposed data centre is purpose built to the technical specifications that meet Tier 3 requirements. Further, to the best knowledge of our Directors, there is no other bidder trying to acquire the identified potential site.

### Data Centre Sizing Options

We have considered the amount of racks which would be required to accommodate our Group's existing and expected needs as well as our business strategy in the future to broaden our customer base for rack space as follows:

	2019	2020	2021	2022	2023	2024
Existing customers <sup>(1,4)</sup>	43	45	49	51	55	58
Customers in discussions <sup>(2)</sup>	–	8	160	160	160	160
Colocation <sup>(3)</sup>	–	–	20	40	60	60
Future business growth <sup>(4)</sup>	–	–	–	20	44	74
	<u>43</u>	<u>53</u>	<u>229</u>	<u>271</u>	<u>319</u>	<u>352</u>
Total	<u>43</u>	<u>53</u>	<u>229</u>	<u>271</u>	<u>319</u>	<u>352</u>

#### Notes:

- (1) The required number of racks are based on 43 racks to meet requirements as at the Latest Practicable Date and also takes into consideration the expected growth of 11.1% and 6.5% for enterprise software solutions market and outsourced document management services, respectively;
- (2) The required number of racks is based on the discussions with new/existing customers which expect certain services to commence in 2020 and the continued market growth in 2021, we are in discussions with a total of nine customers on various projects requiring a total of 152 racks of which 8 racks will be required in 2020 and an additional 144 will be required in 2021;
- (3) The required number of racks is based on the extension of the Group's services to colocation services and estimated demand; and
- (4) The number of racks required for future business growth takes into consideration, *inter alia*, organic growth in demand from existing and new customers for enterprise software solutions, longer storage requirements from customers due to regulatory requirements and adoption of cloud hosting which should help customers lower operating costs.

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The Group's new data centre is expected to be completed by the end of the second quarter of 2021. Prior to the data centre becoming operational, the Group may need to lease 53 and 97 racks from an independent third party for the years ending 31 December 2020 and for the six month period ending 30 June 2021, respectively. Upon completion of the Group's data centre, all previously leased racks will be moved to the Group's new data centre and no further leasing of racks by the Group will be required.

With this in mind, our Group had identified one potential piece of land to accommodate the required size of data centre. Based on the piece of land located in Cybercity, we were advised by our data centre consultant on various options for the specifications of the data centre to be built.

Upon the advice of our data centre consultant, our Group had identified one potential piece of land of approximately 1.1 acre in size to accommodate the required size of the data centre. Based on the advice of our data centre consultant, our Directors considered that three floors having 19,000 sq. ft. of white space to be the appropriate option as it accommodates our Group's existing rack space requirements and future rack space requirements in the foreseeable future, it fits within our Group's budget constraints, it meets the requirements to be a Tier 3 data centre, and has reasonable payment period of 3.7 years. The calculation of the payback period is based on the net cash flow generated from new business obtained through the new data centre and 229, 271, 319 and 351 racks in operation for the four years ending 31 December 2024 or approximately 40.2%, 47.5%, 56.0% and 61.6% utilization rates for the four years ending 31 December 2024. The increase in racks in use per year is based on expected CAGR as of 11.1% and 6.5% for enterprise software solutions market and outsourced document management services, respectively. The revenue generated per rack for each of our Group's different services is based on the average revenue generated for the same services for the year ended 31 December 2018. Based on the above assumptions, it is expected that the payback period will be approximately 3.7 years.

The breakeven calculation for our Group's investment in the data centre is based on the fixed operating costs of RM4.4 million per annum divided by the estimated annual revenue net of variable cost per rack of approximately RM58,400, which gives a breakeven of 75 racks or approximately 13.2% utilisation rate of the proposed new data centre.

Our Directors have also considered smaller sizes of the proposed data centre. However, the smaller size data centre would not achieve profitability, would not adequately accommodate our Group's future expansion and would have longer investment payback periods.

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Below is the proposed set up of the new data centre:

Floors	Usage								
Ground floor	<p>Lobby, administrative rooms, mechanical and electrical systems &amp; infrastructure and IT common services infrastructure.</p> <p>The common area consists of amenities such as meeting rooms (an area for telecommunication companies to physically connect their networks and exchange traffic), lobby, administrative rooms and toilets and house mechanical &amp; electrical equipment and IT common services infrastructure.</p> <p>The reason to consolidate all these areas on a separate floor/ common area is due to the vastly different spatial requirements, i.e. power and cooling requirements, hermetic and closed environment with large slab-to-slab heights for data centre, security requirements and susceptibility to fire hazards.</p>								
First floor	<p>Approximately 10,000 sq.ft of white space on the first floor will house approximately 300 racks and the proposed allocation of the racks is detailed below:</p> <table> <tr> <th>No. of racks (approximate)</th><th>Description of the proposed usage</th></tr> <tr> <td>80</td><td> <ul style="list-style-type: none"> <li>Consolidation of the existing servers which are scattered over the Group's three properties</li> <li>Utilisation of servers based on the contracts secured subsequent to the Track Record Period</li> </ul> </td></tr> <tr> <td>160</td><td> <ul style="list-style-type: none"> <li>Allocated servers for the planned software applications</li> <li>Allocated servers for the potential customers who are in discussion with our Group</li> </ul> </td></tr> <tr> <td>60</td><td> <ul style="list-style-type: none"> <li>Colocation services which are targeted to capture a group of SMEs customers in the future</li> </ul> </td></tr> </table>	No. of racks (approximate)	Description of the proposed usage	80	<ul style="list-style-type: none"> <li>Consolidation of the existing servers which are scattered over the Group's three properties</li> <li>Utilisation of servers based on the contracts secured subsequent to the Track Record Period</li> </ul>	160	<ul style="list-style-type: none"> <li>Allocated servers for the planned software applications</li> <li>Allocated servers for the potential customers who are in discussion with our Group</li> </ul>	60	<ul style="list-style-type: none"> <li>Colocation services which are targeted to capture a group of SMEs customers in the future</li> </ul>
No. of racks (approximate)	Description of the proposed usage								
80	<ul style="list-style-type: none"> <li>Consolidation of the existing servers which are scattered over the Group's three properties</li> <li>Utilisation of servers based on the contracts secured subsequent to the Track Record Period</li> </ul>								
160	<ul style="list-style-type: none"> <li>Allocated servers for the planned software applications</li> <li>Allocated servers for the potential customers who are in discussion with our Group</li> </ul>								
60	<ul style="list-style-type: none"> <li>Colocation services which are targeted to capture a group of SMEs customers in the future</li> </ul>								



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As at the Latest Practicable Date, our Group is in discussions with a total of nine customers (six existing customers and three new potential customers) on various projects requiring a total of approximately 152 racks. See below information relating to potential demand from these existing or new customers:

Potential customer	Industry	Number of rack currently used	Number of expected racks to be taken up in 2020 and 2021 (approximate)		Tier 3 data required	Estimate annual charge per rack (RM)	Reason given for demand in data centre
A	Banking	N/A	–	33	Yes	76,800	Due to digitization of the banking system and due to more data being handled and being archived.
B	Banking	1.5	–	26	Yes	76,800	Due to the consolidation of services from other vendors to the Group, implementation of the Company's latest Streamline solution and growth in volume of transactions which include document archiving.
C	Retail	0.5	–	7	Yes	76,800	Due to increasing amount of data being stored.
D	Insurance	0.5	–	26	Yes	76,800	Upgrade in hardware and implementation of the Company's latest Streamline solution. New architecture which enhance the document availability speed and also growth in database size.
E	Banking	4.5	–	26	Yes	76,800	Due to the consolidation of services from other vendors to the Group and growth in volume of electronic transactions which include document archiving.
F	Insurance	N/A	–	7	Yes	76,800	Due to the potential customer's need for a comprehensive document management ecosystem which include document archiving.
G	Insurance	N/A	–	11	Yes	76,800	Due to the potential customer's need for outsourced document management service and enterprise software solutions which include document archiving.
H	Banking	6	3	4	Yes	76,800	Due to the potential customer's need for electronic document delivery and enterprise software solutions which include document archiving.
I	Banking	5	5	4	Yes	76,800	Due to the potential customer's need for electronic document delivery and enterprise software solutions which include document archiving.
Total			8	144			

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Approximately 60 racks will be allocated for colocation services which we provide as part of our outsourced document management services during the Track Record Period. To widen our Group's range of customers, we propose to increase the spectrum of our Group's services to colocation service to target SMEs which we believe will create the opportunity in the future to sign on these new customers for other services offered by our Group. According to the CIC report, provision of colocation service is independent though synergetic to the provision of document management services. Our Group can also expand the customer base via colocation services provision. Based on our Directors' experience, SMEs will be benefited from colocation services due to the following: –

- Cost saving and lessening of workload of their employee.
- Reduction of their operating cost for cooling and power as our Group's cost is based on a shared facility.
- Lower their costs on engaging IT specialists – We possess IT specialists that solely manage servers at a predictable cost.
- Better security, support, and maintenance.
- Superior security features, redundant power and internet connectivity and server uptime of the colocation centre.

Further, we believe that provision of colocation services to SMEs will allow our Group to cross market our Group's outsourced document management services and software solutions services, as and when the size of their businesses grow.

### Second floor

The second floor which can accommodate up to 270 racks will be used to accommodate the continued growth of the enterprise document management software solution market after 2021 at a rate of approximately 11.1% per annum.

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A breakdown of budget estimates for the new data centre is as follows:

	Source of funding	
	Net proceeds from the Share Offer (HK\$ million)	Internal resources (HK\$ million)
<b>Professional fees</b>		
(includes project & program management, architectural & design, mechanical and electrical, civil & structural, quantity surveyor, soil investigation & site surveyor, interior design and town planning)	Nil	8.1
<b>Land and buildings</b>		
(i) purchase of land in Cybercity	Nil	9.7
(ii) building costs (includes preliminaries, earthworks, piling works, structure, architecture, signages and landscape)	19.5	Nil
<b>Mechanical and engineering works</b>		
(includes lift services, general fire protection, general air conditioning and ventilation, plumbing installation, man trap systems and security systems)	6.6	Nil
<b>Hardware equipment and installation services</b>		
	(Approximately (HK\$ million)	
(i) Servers	6.2	
(ii) Generator set	5.9	
(iii) UPS system	5.3	
(iv) Electrical services	11.3	
(v) CRACs	6.2	
(vi) Raised flooring & installation	1.5	
(vii) HSSD	1.5	
(viii) Fire protection systems for data centre	3.8	
(ix) Fire protection for facility rooms	2.3	
(x) Environment monitoring system	3.8	
Subtotal	40.4	7.4
<b>Total</b>	<b>66.5</b>	<b>25.2</b>

The total funding required for the building of the data centre is approximately HK\$91.7 million (equivalent to approximately RM48.5 million) and will be partially funded in the amount of approximately HK\$66.5 million (equivalent to approximately RM35.2 million), representing approximately 76.7% of net proceeds of the Listing with the balance of approximately HK\$25.2 million (equivalent to approximately RM13.3 million) being funded by internal resources.

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As at the Latest Practicable Date, we had identified one potential site in Cybercity, which is suitable for the building of the new data centre. As the proposed data centre is over 25km from our existing location, it will allow for our existing data centre to be used as a data recovery centre. As at the Latest Practicable Date, we had not entered into any legally binding agreement for the purchase of the abovementioned site for the new data centre. As advised by our Company's Malaysia Legal Advisor, subject to our Group submitting all necessary documentation to the relevant authorities, our Directors are of the view that there should not be any legal impediments to obtaining all the necessary licences or permits required for the commencement of the data centre.

As at the Latest Practicable Date, we had not incurred any expenditure in connection with our proposed plan set out above. Assuming that the net proceeds are available for use by our Group in the first quarter of 2020, we expect the construction of the new data centre will commence in the second quarter of 2020. We also estimate that we will be able to complete the building of the data centre by the end of the second quarter of 2021.

### Contingency plan for building our own data centre

Subject to our Group obtaining available land and being able to construct the data centre within the exempted period (i.e. 24 months) allowed by our FI customers, it is our main intention to acquire land as per the above disclosure and build the data centre. In the event that our Group is unable to find suitable land to build the data centre or is unable to construct the data centre within the exempted period allowed by the FI, we will consider purchasing an existing building which will allow us to convert it into a Tier 3 data centre within a shorter construction period but will be more expensive overall. The size of the building to be purchased is expected to be along the same lines of the data centre to be build (i.e. 30,000 sq. ft) but will be dependent on what is available on the market. The building will also be located in Cybercity which will allow our Group to reap tax and technical benefits. The timing required for the acquisition of an existing building and conversion into the data centre is approximately 10 months.

The Company will allocate a maximum of RM10.3 million (approximately HK\$19.5 million) from the net proceeds of the Listing for funding the building acquisition. If the price for the acquisition of the building is less than RM10.3 million, the remaining balance will be re-allocated to fund the converting of an existing building into a Tier 3 data centre. The conversion of the building to data centre is expected to cost approximately RM28.3 million (approximately HK\$53.6) million and will be funded by approximately RM24.9 million (approximately HK\$47.0 million) from the net proceeds from the Listing and the balance will be funded by our internal resources.

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If we plan to purchase and convert a building instead of constructing our own, we will not require any new consent from our FI customers as long as the Group's data center meets the Tier 3 standard.

In the event that we are not able to commence construction of the new data centre by the second quarter of 2020, we will decide to acquire an existing building and commence the conversion in third quarter of 2020 and estimate that we will complete the data centre by the end of the second quarter of 2021.

*(b) Strengthen our Group's technical operation support team*

As at the Latest Practicable Date, our technical operation support team in our Group's IT department has nine staff and is responsible for our Group's operation support. For the reasons aforementioned, our Directors believe that more enterprises in Malaysia and Singapore, which include but not limited to our existing customers, are increasingly digitising their document and data management process, which in turn increases the demand for our outsourced document management services. As such, more IT staff are needed to cope with the increase in demand and capture the related market opportunities. Our current staff are currently dedicated and fully engaged in product development and operation support activities; therefore, for the data centre we will require new staff to support the necessary roles to drive the operations and business. Furthermore, due to our Group's shortage of staff, certain staff are responsible for carrying out various duties. To enhance the segregation of duties of our staff, increase the oversight of these duties and meet the standards set by the RMIT which require segregation of incompatible duties to be implemented in the data centre operations environment, we need additional staffing. Further, since the technology inside data centre changes constantly, we will need dedicated staff to focus and keep pace with data centre operations, infrastructure, resources usage and evolving technology. Our Group's new staffing requirements of 20 staff for the new data centre is based on data centre facility operation's needs, in order to manage and operate the data centre, as well as existing needs to meet our Group's current business commitments and forthcoming applications developments. Consequently, the staffing is distributed into these groups i) preventive and corrective maintenance support to support facility operations, IT security management and support of 24/7 operation shift; ii) customer/project support for general administration, front desk support duties and technical support; iii) application support for the provision of Streamline EDW as SaaS; and iv) application developers for our Group's current business commitments and forthcoming applications developments.

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No.	Groups	Staff Description (Head Count)	Staff Roles/Duties
i)	Preventive and corrective maintenance support to support facility operations, manage IT security and support 24/7 operation shift	a) System Architect (1) b) Information Security Officer (2) c) Data Centre Support Engineer (2) d) System Administrator (2) e) Network Administrator (2)	a) To prepare architectural analysis of projects, preliminary design, calculation, lifecycle costs and equipment selection. b) To manage, supervise IT security programs, define, implement and maintain corporate security policies and procedures. c) Technical resource to ensure overall availability and reliability of managed computer and network systems to meet or exceed defined service levels. Two staff are required to provide on-call support and 24/7 shift presence. d) To maintain the data centre environment and monitor equipment. e) To maintain the data centre, ensuring compliance with service level agreement, as well as to maintain availability of on-premises equipment.
ii)	Customer/project support for general administrative duties, front desk support duties and technical support	a) Customer Support Administrator (1) b) Help Desk Support (2)	a) For general administrative duties, front desk support duties and reception desk. b) Responsible for answering telephone calls and emails from customers that require technical support and through the use of remote access tools, assisting in troubleshooting and answering questions on hardware/software issues and guiding users to a resolution.
iii)	Application Support for the provision of Streamline Suite EDW as SaaS	Senior Applications Developer (1) and Junior Application Developer (3)	To participate in design, coding, testing, implementation, and documentation of solutions of application systems and integrating our Group's Streamline EDW as SaaS.
iv)	Application Developers for our Group's current business commitments	Senior Applications Developer (1) and Junior Application Developer (3)	To re-design, integrate and deploy coding methodologies for our Group's current and forthcoming software applications to make the applications resilient and ensure that they work properly for data centre's solutions.

The additional costs from the hiring of the new staff is as follows: one system architect at approximately RM180,000 per annum, two information security officers at approximately RM108,000 each per annum, two senior software application developers at approximately RM120,000 each per annum, five junior software application developers at approximately RM120,000 each per annum, three data center support engineers at approximately RM120,000 each per annum, two help desk support staff at approximately RM60,000 per annum, one customer support administrator at approximately RM60,000 each per annum, two systems administrators at approximately RM120,000 each per annum and two network administrators at approximately RM120,000 each per annum. Approximately HK\$5.9 million (equivalent to approximately RM3.1 million), representing approximately 6.8% of the net proceeds from the Listing will be used to fund the additional staff costs after which the staff costs will be internally funded.

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- (c) *Expand our R&D team to develop new applications within our Streamline Suite and front-end solutions*

As at the Latest Practicable Date, our Streamline Suite consists of three systems that cover a range of solutions primarily for data and document management. As part of our Group's continued growth and R&D road map, we plan to further develop and launch to the market new applications. Our proposed road map will be to develop into other parallels, among other things (i) upgrade our document management system; (ii) develop software to reduce manual business processes and increase automation in the document workflow; (iii) make our Streamline Suite compatible on mobile OS; and (iv) develop document certification software using blockchain technology which will enable a reduction in paper trail. We believe such developments are critical to meet the market demand, and for ensuring our existing customers will continue to be satisfied with our offering. All these will enable us to market new customers and provide financial growth and stability to our Group. For details, please see the section headed "Business – Research and Development – Pipeline and planned software applications" in this prospectus. As at the Latest Practicable Date, we have six applications that are targeted for development subsequent to the Track Record Period. For details of our R&D road map, please refer to the section headed "Business – Research and Development – Pipeline and planned software applications" in this prospectus.

To assist in our Group's R&D, we plan to recruit two senior design engineers at approximately RM216,000 each per annum and eight application development engineers at approximately RM144,000 each per annum. Approximately HK\$4.4 million (equivalent to approximately RM2.4 million), representing approximately 5.1% of the net proceeds from the Listing will be used to fund the additional staff costs after which the staff costs will be internally funded.

**2. Expanding our market presence locally and explore expansion regionally to capture further market share**

- (a) *Maintain and strengthen our relationship with existing customers, and capture new customers within Malaysia and Singapore*

Since our Group's establishment, we have successfully built a presence in the banking and insurance industries by providing outsourced data and document management and related services. During the Track Record Period, we provided our services to approximately 33.3% and 38.7% of the banks and insurance companies, respectively, in Malaysia. Due to our Group's in-depth understanding of our customers' outsourcing needs, a strong IT development team led by Mr. W Ling and our ability to customise our software solutions and deliver high quality of services, we have been able to build sustainable relationships with our customers and continue to meet their specific requirements.

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We therefore plan to leverage on our existing capabilities to explore opportunities in the future for expanding our network of customers to cover other financial institutions, and enterprises in other sectors in Malaysia that we currently do not service. According to the CIC Report, as at the Latest Practicable Date, there are a total of approximately 57 banks and 62 insurance companies in Malaysia, while we were ranked second in the market in terms of revenue generated from the provision of document management services in Malaysia, we did not service a significant number of them, i.e. approximately 38 and 38 in the banking and insurance industries, respectively, during the Track Record Period. According to the CIC Report, approximately 63.9% of the market in terms of overall revenue generated from the provision of document management services in 2019 were taken up by service providers ranked below the top five in the market. Having an established track record with many of the banks and insurance companies, and as our Group has the technical expertise and capability to customise our software solutions, we believe that we are well positioned and with added advantage over smaller companies to capture a larger market share of the outsourced document management services industry for banks and insurance companies in Malaysia.

Given the geographical proximity, a significant number of Malaysian banks are already operating within Singapore. Our Directors believe that by increasing our coverage to new customers within Singapore, we are able to further commercialise our Streamline Suite application to increase revenue generation and profitability of our own operations without having to incur significant expenditure or exposure to our Group's new country risks. To this extent, we will initially focus on serving our Malaysian customers that have offices in Singapore and then progress to marketing our scope of services to Singapore incorporated companies in the banking and insurance industries in Singapore.

To broaden our customer base, we plan to step up our marketing and sales efforts to reach out to potential customers, and to ramp up our technical and operational staff. To do so, we propose to hire an additional three relationship managers at approximately RM84,000 each per annum, four customer support staff at approximately RM48,000 each per annum, three project managers at approximately RM132,000 each per annum and six clerical/support staff at approximately RM42,000 each per annum. Approximately HK\$3.1 million (equivalent to approximately RM1.6 million), representing approximately 3.6% of the net proceeds from the Listing will be used to fund the additional staff costs after which the staff costs will be funded by internal resources.



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*(b) Pursue appropriate strategic acquisitions and business opportunities*

During the Track Record Period and as at the Latest Practicable Date, our Group did not provide services to customers that were in the government and government linked sectors. Currently, a number of government or government related tenders specify that companies intending to submit a tender for government or government related companies have to be registered with the Ministry of Finance as having Bumiputera Status before submitting those tenders. As at the Latest Practicable Date, our Group is unable to meet the requirements to register for Bumiputera Status as we are not majority held by Bumiputera. By acquiring up to 49% interest in a Bumiputera company and entering into shareholders agreements, we will not only gain access to Bumiputera restricted business but also give us direct access to Bumiputera contracts (in the government and government linked sectors) and non-Bumiputera restricted contracts. Such acquisitions will allow us to rapidly enter into the segment and drive our corporate growth in terms of customer base and channels. As at the Latest Practicable Date, we had considered various potential acquisition targets but we have not commenced any negotiations or entered into any binding commitment, whether verbal or written, for any business or asset alliance and/or acquisitions.

As advised by the Malaysia Legal Adviser, the guidelines issued by the MOF allow for two situations to be qualified as Bumiputera Status. One of them allows for up to 49% interest in a company to be held by non-Bumiputera. The acquisition of such interest will allow for direct participation in Bumiputera Status restricted contracts as well as open access to contracts without Bumiputera restrictions but still controlled by Bumiputera individuals. Further, as advised by the Malaysia Legal Adviser, despite not being able to hold the majority of the shareholding in the target company, the Group is also allowed under Malaysia laws to enter into shareholders agreement to set out any arrangements with the remaining 51% Bumiputera shareholders to control the target.

We have allocated approximately HK\$6.8 million (equivalent to approximately RM3.6 million) or approximately 7.8% of the net proceeds from the Listing for potential strategic acquisitions and business opportunities and will consider potential funding options.

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### **3. Increase our Group's visibility, operational efficiency and profitability through obtaining MSC Malaysia status**

Our Group's historical growth has primarily been a result of our proprietary technology and ability to customise our software to the specific needs of our clients whether in the banking, insurance or retail industry. We believe that our customised software development capabilities and outsourcing services can cater to a wider audience and also meet the requirements of companies in other industries. As part of our strategy to capture and develop new customers in existing and new industries, we plan to obtain the MSC Malaysia Status, one which recognises an entity's ability to develop and use multimedia technologies to produce and enhance their products and services. We believe that the MSC Malaysia status will provide us with, not only market recognition as a world-class service provider, but also financial incentives from the MSC incentives such as:

- (i) pioneer status privilege with 100% exemption from taxable statutory income (excluding intellectual property income) for a period of 10 years starting from the date when the company starts generating income;
- (ii) 100% Investment Tax Allowance (ITA) on new investments made in MSC Malaysia Cybercities/Cybercentres, commencing from the date on which the first qualifying capital expenditure is incurred;
- (iii) eligibility for R&D grants (for majority Malaysian owned MSC Malaysia status companies);
- (iv) freedom to source capital globally for MSC Malaysia infrastructure and the right to borrow funds globally;
- (v) freedom of ownership by exempting companies with MSC Malaysia status from local ownership requirements;
- (vi) unrestricted employment of foreign knowledge workers;
- (vii) duty-free importation of multimedia equipment, provided that the equipment is used by the company in the operation of its business, and not for direct sale and trading or use as components in manufactured items;
- (viii) globally competitive telecommunication tariffs and services guarantees if MSC Malaysia status companies are located within the MSC Malaysia; and
- (ix) intellectual property protection and a pioneering and comprehensive framework of cyberlaws can be enjoyed by MSC Malaysia status companies irrespective of location.

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The total costs expected to be incurred to apply for MSC Malaysia status is approximately RM2,000 (equivalent to approximately HK\$3,700) and will be fully funded from internal resources. As at the Latest Practicable Date, our Group's MSC consultant is in the process of preparing the documents for applying for the MSC Malaysia status, we expect that we will apply for the MSC Malaysia status in the second half of 2020 after the Listing of the Group.

### OUR BUSINESS MODEL

Our Group is an outsourced document management services provider and related software and enterprise software solutions developer in respect of certain document-related non-core functions which are typically carried out by the customer. During the Track Record Period, we derived substantially all of our revenue from provision of (i) outsourced document management services and (ii) enterprise software solutions. The table below is a breakdown of our Group's revenue by revenue stream and as a percentage of our total revenue during the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2016		2017		2018		2018		2019	
	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%
Provision of outsourced document management services	66,439	97.4	69,456	97.8	65,176	97.1	47,644	97.4	48,503	89.4
Provision of enterprise software solutions	1,759	2.6	1,588	2.2	1,919	2.9	1,275	2.6	5,763	10.6
	<u>68,198</u>	<u>100.0</u>	<u>71,044</u>	<u>100.0</u>	<u>67,095</u>	<u>100.0</u>	<u>48,919</u>	<u>100.0</u>	<u>54,266</u>	<u>100.0</u>

### OUTSOURCED DOCUMENT MANAGEMENT SERVICES

As companies seek to reduce and control their overall operating costs and focus on core operating activities, certain non-core functions of a company are outsourced. Service providers such as our Group are able to carry out some of these non-core functions in a more efficient and cost effective manner.

According to the CIC Report, non-core functions typically include a company's information distribution and inventory management, accounting and human resources, along with credit card processing and product testing. For our customers who are mainly in the banking, insurance and retail industries, their non-core functions include document management including document scanning and imaging, data capture and conversion, etc. and traditional or electronic delivery of documentation to their customers.

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As part of our Group's outsourced document management services, our customers transfer encrypted data to us for processing. We host the received data for decryption and the data is processed using our OMS and DMS, the applications within our Streamline Suite. The data will be converted to documents which are then distributed, transmitted and hosted as per our customers' requirements. Depending on the agreement with our customers, these data/documents will be hosted on our Group's IT infrastructure for up to 25 months.

As at the Latest Practicable Date, our outsourced document management services consist of five services as follows:–

- Electronic Document Delivery;
- Document Print & Mail Fulfilment;
- MICR Cheque Print & Mail Fulfilment;
- Medical ID Card Print & Mail Fulfilment; and
- Document Imaging and Scanning Services.

Details of our five outsourced document management services are as follows:

**(a) Electronic Document Delivery**

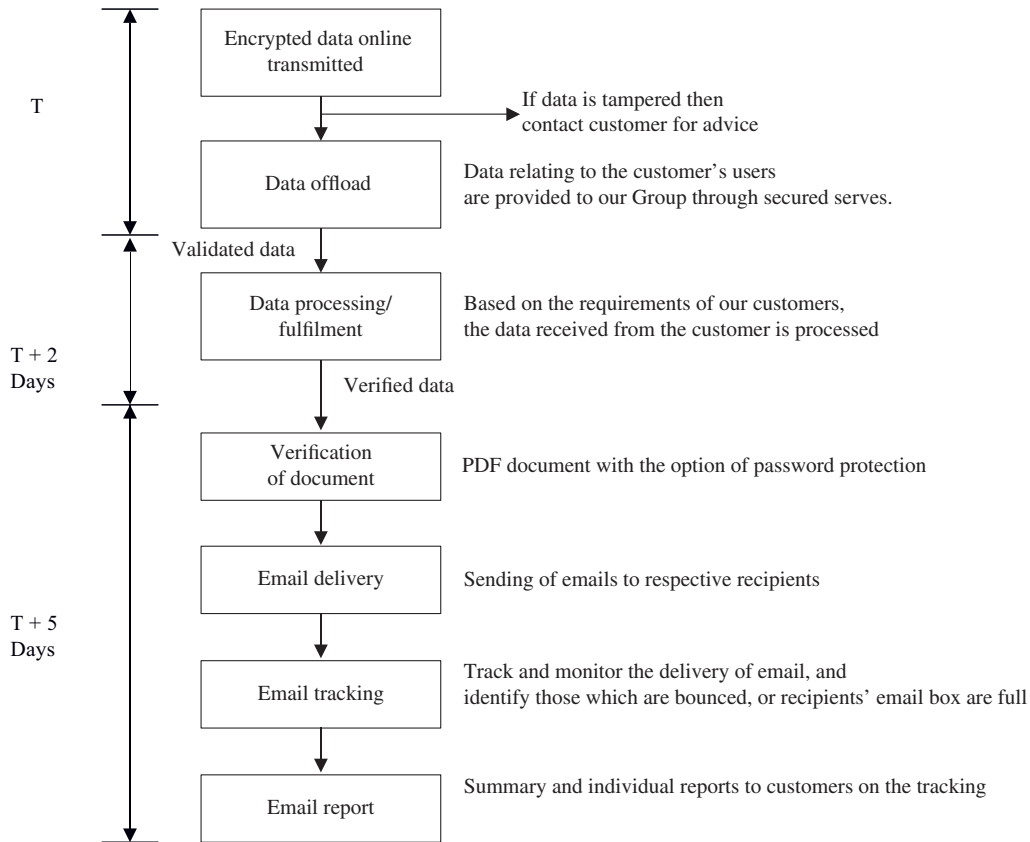
Electronic document delivery is a process where our Group receives data from our customers and prepares relevant documents in an agreed template. Examples of such documents include, among other things, statements, bills, letters and notices. The prepared document can be presented through multi-channel engagement such as email, SMS or through a web application. Customers that use this service are charged based on unitised, managed fees, programming fees and monthly charges, which will vary depending on the volume, scope of work and complexity. For further information relating to the pricing of our services, please see the section headed "Business – Sales and Marketing – Pricing Policy" in this prospectus.

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## BUSINESS

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A typical standard operating procedure for this service is shown below:



*Note:* the timeline for each stage is for reference only

### (b) Document Print & Mail Fulfilment

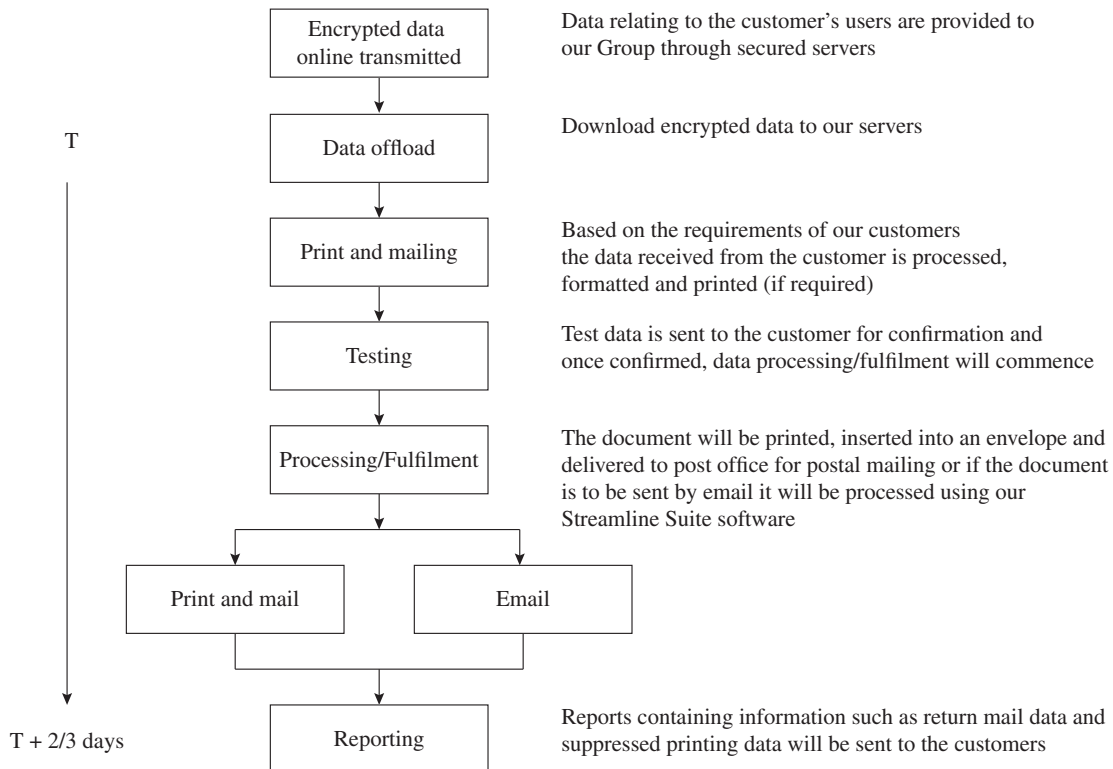
Document print & mail fulfilment is a process similar to electronic document delivery as explained above with the exception that the document may also be delivered by way of conventional postal or courier delivery services. Customers that use this service are charged fees based on unitised fees, managed fees, programming fees and monthly charges, which will vary depending on the volume, scope of work and complexity. For further information relating to our pricing of our services, please see the section headed “Business – Sales and Marketing – Pricing Policy” in this prospectus.

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## BUSINESS

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A typical standard operating procedure for this service is shown below:



*Note:* the timeline for each stage is for reference only

### (c) MICR Cheque Print & Mail Fulfilment

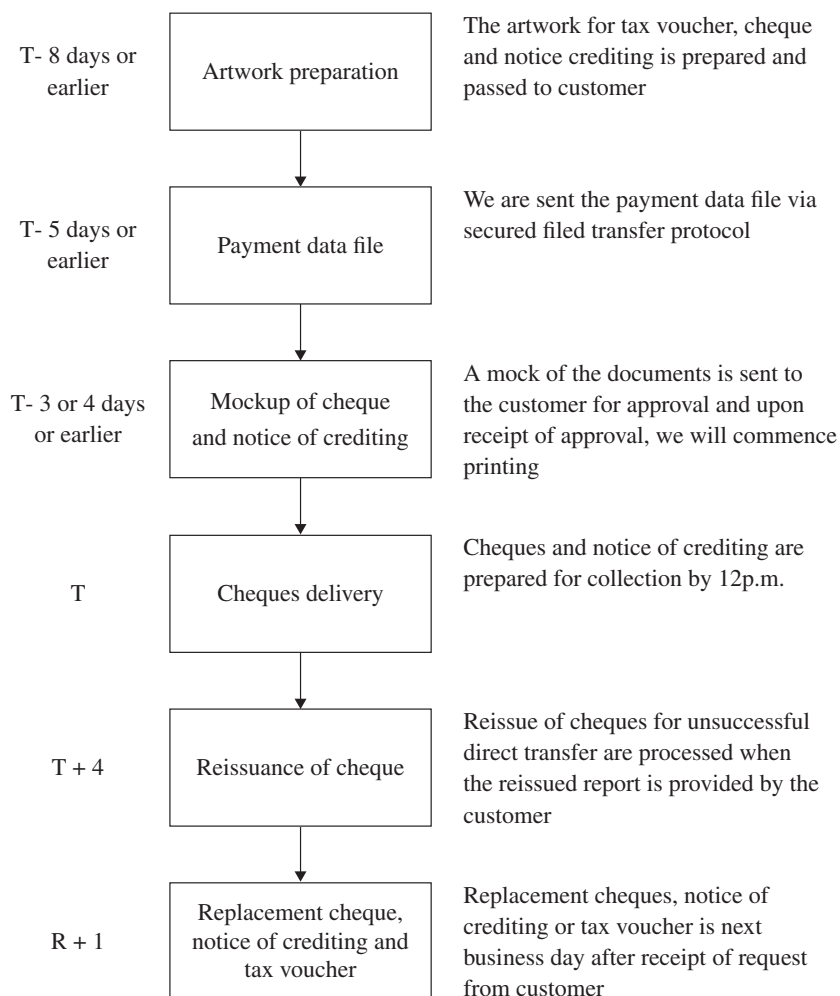
MICR cheque print & mail fulfilment is a process where we retrieve information from the customer's database, print cheques using MICR ink and arrange for the printed cheques to be delivered by way of conventional postal delivery or courier services. Customers that use this service are charged fees based on unitised fees, managed fees and programming fees, which will vary depending on the volume, scope of work and complexity. For further information relating to our pricing of our services, please see the section headed "Business – Sales and Marketing – Pricing Policy" in this prospectus.

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## BUSINESS

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A typical standard operating procedure for this service is shown below:



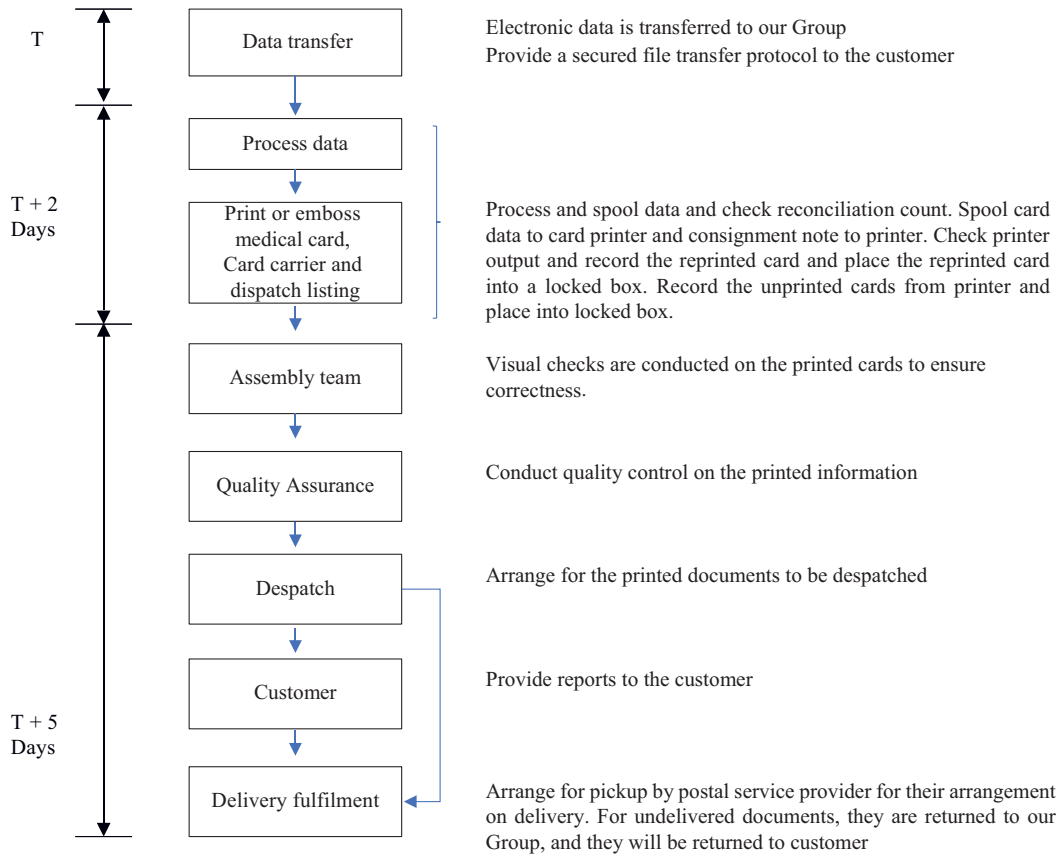
*Note:* the timeline for each stage is for reference only

### (d) Medical ID Card Print & Mail Fulfilment

Medical ID card print & mail fulfilment is a process where we obtain information from the customer's database and arrange for medical cards to be printed or embossed, magnetic stripe encoded and delivered by way of conventional postal or courier delivery services. Customers that use this service are charged fees based on unitised fees, managed fees and programming fees, which will vary depending on the volume, scope of work and complexity. For further information relating to the pricing of our services, please see the section headed "Business – Sales and Marketing – Pricing Policy" in this prospectus.

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A typical standard operating procedure for this service is shown below:



*Note:* the timeline for each stage is for reference only

### (e) Document Imaging and Scanning Services

Document imaging and scanning services is a process where documentation prepared in physical format is required to be converted into an electronic format and can be coupled with data extraction, OCR, ICR and bar code recognition. Customers that use this service are charged based on unitised, managed and programming fees, which will vary depending on the volume, scope of work and complexity. For further information relating to the pricing of our services, please see the section headed “Business – Sales and Marketing – Pricing Policy” in this prospectus.

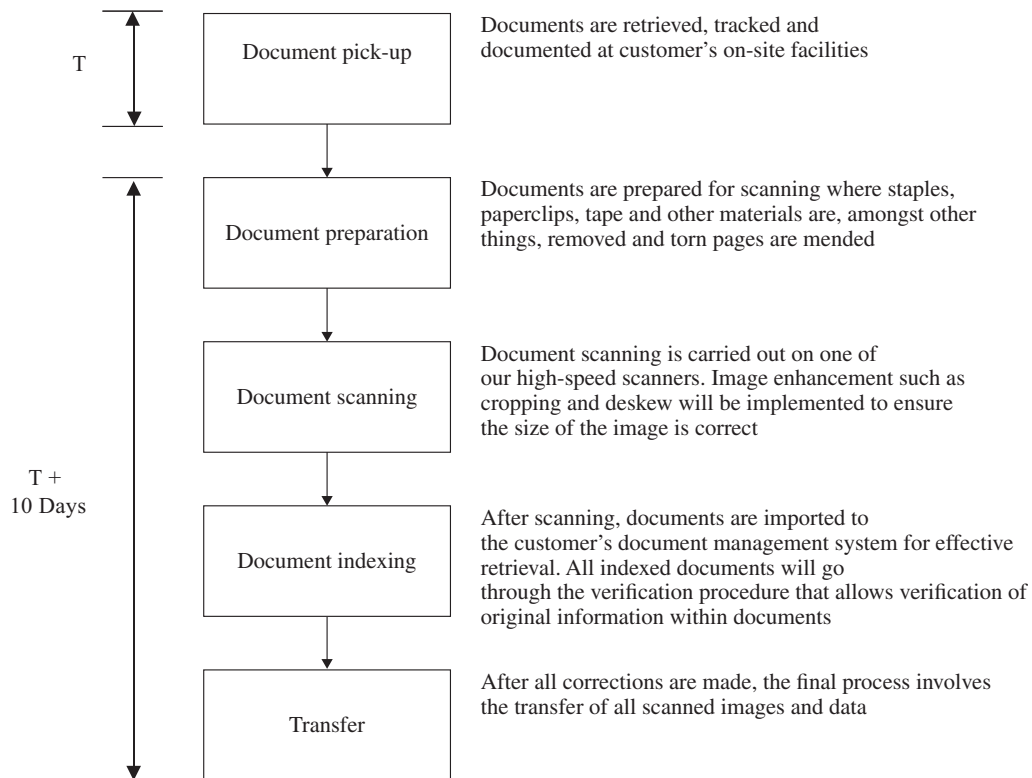


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## BUSINESS

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A typical standard operating procedure for this service is shown below:



*Note:* the timeline for each stage is for reference only

For the three years ended 31 December 2018 and the nine months ended 30 September 2019, revenue generated from the provision of outsourced document management services was approximately RM66.4 million, RM69.5 million, RM65.2 million and RM48.5 million, respectively, and represented approximately 97.4%, 97.8%, 97.1% and 89.4% of our Group's revenue, respectively.

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The below is a breakdown of our Group's revenue derived from our outsourced document management services and the average service fee by service type for the three years ended 31 December 2018 and the nine months ended 30 September 2019:

	2016			Year ended 31 December 2017			2018			Nine months ended 30 September 2019		
	As % of total revenue of outsourced document management services		Average service fee	As % of total revenue of outsourced document management services		Average service fee	As % of total revenue of outsourced document management services		Average service fee	As % of total revenue of outsourced document management services		Average service fee
	Revenue	%	(RM)	Revenue	%	(RM)	Revenue	%	(RM)	Revenue	%	(RM)
	(RM'000)		(Note 1)	(RM'000)		(Note 1)	(RM'000)		(Note 1)	(RM'000)		(Note 1)
<b>Outsourced document management services</b>												
(i) Electronic document delivery	975	1.5	0.32	2,097	3.0	0.18	3,399	5.2	0.12	2,974	6.1	0.10
(ii) Document print & mail fulfilment	59,206	89.1	0.13	64,359	92.7	0.11	56,387	86.5	0.14	41,045	84.6	0.13
(iii) MICR cheque print & mail fulfilment	1,370	2.1	0.33	819	1.2	0.39	746	1.2	0.37	325	0.7	0.36
(iv) Medical ID card print & mail fulfilment	3,660	5.5	0.08	1,029	1.5	0.08	3,778	5.8	0.08	3,550	7.3	0.10
(v) Document imaging and scanning service	1,228	1.8	0.07	1,152	1.6	0.08	866	1.3	0.12	609	1.3	0.18
	<u>66,439</u>	<u>100</u>		<u>69,456</u>	<u>100</u>		<u>65,176</u>	<u>100</u>		<u>48,503</u>	<u>100</u>	

*Note 1:* Under each service type, our Group charges different unit price for different activities. For illustrative purposes, the average service fee of each service type is calculated based on the total revenue of the services divided by total quantity of different activities for each reporting year.

For the detailed analysis of the above, please refer to the section headed “Financial Information – Outsourced document management services” in this prospectus.

For our Group's outsourced document management services, we typically will enter into a master services agreement with our major customers, which will set out the general terms and conditions governing services to be provided. Details of the services that are to be provided will be incorporated into a master services agreement or in a separate agreement depending on the customer's requirements.

The following are terms typically included within the agreement:

- **Term:** Term of services typically is for an initial fixed period of one to five years with an automatic extension or option to extend for one or more years unless terminated.
- **Services:** Details of the specific scope of service and fulfilment.
- **Charges:** Pricing details will be set out covering, among other things, printing charges, insertion charges, mailing charges, return mail management and transportation charges. Depending on the product or services that is provided, the pricing can be per impression or per piece/box. If the customer also requires to use our Streamline Suite, for example, document template design services, we will also charge a fixed fee based on the scope of work required.

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- *Service Provider skills:* We warrant to our customer that we possess and will deploy specific skill and experience relevant to the services provided.
- *Acceptance:* Our customers are to take reasonable endeavours to carry out acceptance tests upon receipt of deliverables. If any deliverables fail the customers' requirements, the customer has the option to fix a new date for carrying out acceptance, conditionally accept the deliverables or reject whole or part of the deliverables.
- *Anti-virus:* We warrant that the deliverables will not contain at the time of delivery any programs, device or other undisclosed feature including, without limitation, a time bomb, time-out feature, virus, software lock, drop dead device, malicious logic, worm, trojan horse or trap door, which is designed to delete, disable, deactivate, interfere with or otherwise harm the deliverables or customer's hardware, data or other programs or which is intended to provide unauthorized access or product unauthorized modifications.
- *Terms of payment:* Settlement of invoices shall be on a monthly basis and shall be due and payable within 30-60 days from the receipt of the invoice. All fees and charges payable are inclusive of all withholding tax. The customer has the right to decline payment of any invoice received more than 90 days after the end of the month in which the deliverables that are the subject of the invoices were accepted. Any agreed subcontractors used must be approved by the customer and any charges must be billed to the customer at costs without any mark-up.
- *Delay and liquidated damages:* If there is any delay in the deliverables on or before the deadlines or milestones, other than as a result of an event of force majeure, we shall pay to the customer as and by way of liquidated damages of 2% computed based on the invoice value for the delivery. Such liquidated damages are to be paid within 30 days of the customer's written notification.
- *Confidential information:* No information relating to the customer shall be disclosed without the prior written consent of the customer.
- *Copyright, trademark and other IP rights:* We warrant that none of the deliverables infringe upon any patent, copyright, trademark, trade secret or other proprietary rights. Any and all copyright, trademarks and other IP rights used or subsisting in or in connection with the deliverables developed for the customer shall vest and be the sole property of the customer. All rights relating to new inventions, designs or processes that evolve from performance or as a result of the engagement shall belong to the customer.

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- *Termination:* Either party may terminate the agreement subject to written notice for the other party if the other party: (i) commits a material breach that cannot be rectified; (ii) becomes bankrupt or compounds or makes arrangement with or for the benefit of its creditor. Upon termination, the customer shall pay all amounts due and owing on a pro rata basis less any amounts already paid. If the termination is a result of our Group, we shall refund all monies paid by the customer and be liable to pay liquidated damages of 2% of the relevant contract amount per week for a period up to the date with another service provider to complete the development and/or to provide the product/service or 25 weeks, whichever is the greater.
- *Recovery of data and business continuity:* Our Group warrants that it has back-up facilities in place to retrieve all data processed by our Group and such back-up facilities are in place throughout the agreement. We are to conduct annual tests on the back-up processing.
- *Subcontracting:* We may not subcontract our obligations without the prior written consent of the customer.
- *Publicity:* We agree not to make any public disclosure, except as required by the law, relating to the customer or relating to or arising under the agreement without prior written consent of the customer.
- *Warranty:* We typically provide a warranty of 90 days during which a 10% of the contract fee is subject to retention period.

### OUR STREAMLINE SUITE

To develop our outsourcing services to become aligned with the changes in technology, market demand and the trend for digitization, during the Track Record Period, our Group has developed a set of applications that is complementary with our Group's outsourced document management services. The applications can be implemented as part of our outsourced document management services or can be provided to customers on a standalone basis as an enterprise software solutions. As part of our future plans, we will continue to research and develop new applications which can further increase our revenue in both our provision of outsourced document management services and provision of enterprise software solutions. For information on our Group's plans for software development, see the section headed "Business – Research and Development" in this prospectus.

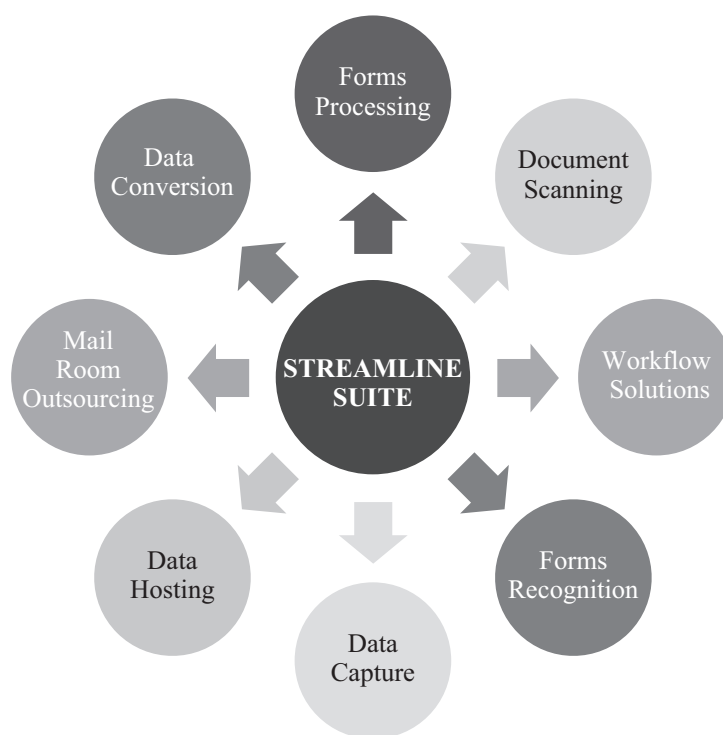
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Our enterprise software solutions are provided through the use of our Streamline Suite, which as at the Latest Practicable Date is comprised of three systems: (i) Streamline Output Management System (OMS); (ii) Streamline Electronic Document Warehouse (EDW); and (iii) Streamline Document Management System (DMS). Through our OMS and DMS, data provided by our customer is processed, assembled and converted to documents. If our customers further subscribe our EDW on a SaaS basis, the created documents can then be archived and hosted at our data centre and our customer can view or retrieve the hosted documents through the internet.

The following is a summary of the capabilities of our Streamline Suite applications:



### Output Management System (OMS)

Four of our Group's applications, namely, (i) Streamline Designer, (ii) Streamline DocCom, (iii) Streamline PDFGen and (iv) Streamline DocEDD were repackaged as Streamline OMS. Customers are able to subscribe for the use of one or more of these applications to meet their needs.

- (i) **Streamline Designer** – a graphic design software for building document templates using drag and drop user interface.

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The below is a sample list of information that can be included in the document template:

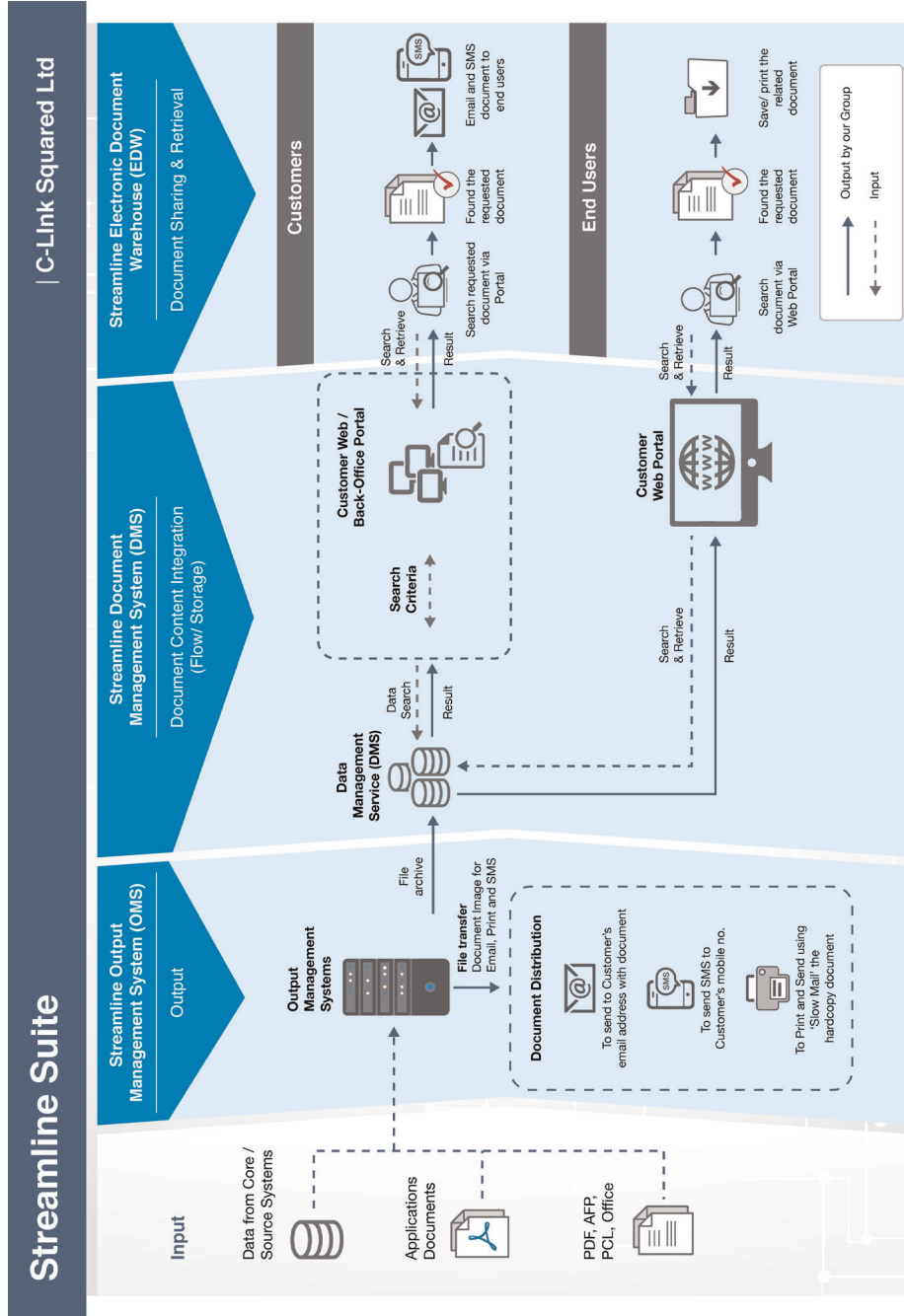
- Account user information
  - Graphs and charts
  - Detailed transaction information
  - Marketing information and promotional information
  - Bar code for tracking
  - Customer's logo
- (ii) **Streamline DocCom** – a document composition software that accurately extracts and assembles data from our customer's database and make ready for documents on a predefined template.
- (iii) **Streamline PDFGen** – a conversion software which converts batch files into a PDF format with the option of password encryption.
- (iv) **Streamline DocEDD** – a software that controls high speed document processing, multi-channel distribution, email and SMS delivery.

**Streamline Electronic Document Warehouse (EDW)** – a content hosting and management application that provides customers the computer hardware for hosting the application in our data centre and makes them available to our customers over the internet. This application is an evolution and progression of outsourced document management that enables the adoption of the “software as a subscription” or “SaaS” model for delivering software application. The delivery of our outsourced document management services by way of SaaS is in line with the global market trend in the document management services market as further detailed in the section headed “Industry Overview” in this prospectus.

**Streamline Document Management System (DMS)** – a software application that manages electronic documents created in the business process. DMS includes collaboration tools, security, workflow modules and data validation rules that can check for document integrity and auditing capabilities. The system enables organization to capture and store documents securely in the repository and retrieve, distribute the electronic documents to achieve higher efficiency in business process and enhance customer experience.

As at the Latest Practicable Date, DMS can be installed in various operating systems including, Microsoft Windows, Unix and Linux.

Below is a diagram that shows the complete interaction of our Streamline Suite with our customers' operating platforms:



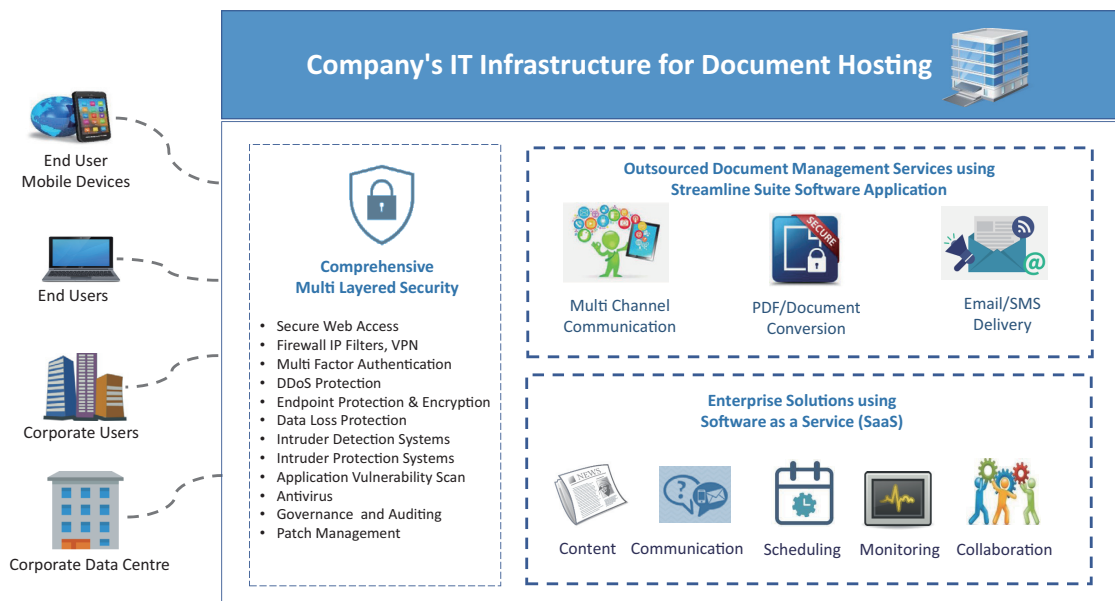
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### Our Group's IT infrastructure

During the Track Record Period, our outsourced document management services and enterprise software solutions were provided through our Group's IT infrastructure that includes 28 racks in our office location, 13 racks in our production & recovery centre and 2 racks in our legal documents fulfilment centre containing web, application and database servers, enterprise storage devices, network switches, domain controllers, domain name servers software security systems such as firewalls and intruder detection intrusion prevention system. Our Group's IT infrastructure was not purposely built and was added to our operations starting in 2003 and on a piecemeal basis to broaden our product offerings and adapt to the environment where outsourced document management services has steadily evolved with the global advancement in technology and electronic delivery capabilities to reduce printed documents. As such, our outsourced document management services have also developed in stride to provide more digitised solutions, which require data centres meeting standards for hosting of information and provision of software applications through the cloud environment. As at the Latest Practicable Date, our existing IT infrastructure was operating at 100% utilisation. Below is a diagram showing how our Group's IT infrastructure (consisting of servers and rack, power system, network connectivity, security system, monitoring systems and cooling systems) interacts within our Group's operations:





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The term “rack(s)” is used in this Prospectus to describe unit(s) of space available in our Group’s data centre to house its IT infrastructure, including but not limited to servers, networking equipment and devices, cables and other data centre computing equipment. Racks are created by the installation of metal stacks/cabinets/framework to hold the aforesaid IT infrastructure in an organized and secured manner, through which our Group houses its software applications (including the Streamline Suite). In essence, the IT infrastructure housed in the racks enables our Group’s entire operations, from data connectivity with its customers, managing data processing to document conversion, all of which form part of the outsourced document management services and enterprise software solutions provided by our Group to the its customers during the Track Record Period.

Set out below is the correlation between the number of racks available in the data centre to the amount of revenue generated by Group:

- (a) *Direct correlation:*
- (i) the Group generates revenue by providing document management services and enterprise software solutions to its customers;
  - (ii) the aforesaid services involve various combinations of the following computing processes: printing, data conversion, tests, data hosting and application customisation. All these processes require customers data to be transmitted, hosted, and processed through the IT Infrastructure;
  - (iii) racks is widely used in the market as the structure on which IT Infrastructure needs to be mounted;
  - (iv) the number of racks available in a data centre will determine the amount of IT Infrastructure that can be installed in such data centre;
  - (v) each unit of IT Infrastructure can only transmit, host, and process a fixed amount of data of customers at a predetermined rate and for predetermined number processes;
  - (vi) certain customers may also specifically require a unit of IT Infrastructure to be designated exclusively for their use so that the capacity of such unit may not be used for transmitting, hosting, and processing data of other customers; and

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(vii) therefore, as the number of racks available in data centre increase:

- the capacity of IT Infrastructure the data centre can hold will also increase;
- the capacity of customers that the Group can serve or the capacity of services provided by the Group will increase;
- the capacity of archived data/documents, complexity of information that the data centre can transmit, host, and process for each customer will increase; and
- the corresponding amount of revenue that can be generated from providing additional services to new or existing customers will also increase.

(b) *Indirect correlation:*

- (i) Certain critical operational functions of the Group are also performed through its own IT Infrastructure;
- (ii) These critical operational functions include day-to-day communications of the Group's personnel, communication with customers, document template and software design, software development and upgrade, as well as recovery and business contingency.

The number of racks available for the Group to transmit, host, and process data for the aforesaid critical operational functions will determine the efficiency of the Group's operations and its ability to upgrade its software and hence service offerings to customers in a competitive manner.

It is important to note that for IT infrastructure to perform reliably and stably at its maximum lifespan, the servers and hardware that comprise such IT infrastructure are required to be housed in a specific data processing environment that meets the thermal and environmental limits on, among other things, temperature and humidity. "Racks" are installed in this manner to create such data processing environment in a data centre and the availability of racks therefore determines the availability of space for housing IT infrastructure.

Furthermore, each server, cable, and any other connectivity equipment has a built-in limit in storage, processing and/or transmission, as applicable. As such, the number of units of any such equipment or device housed by a data centre will determine its storage, processing and/or transmission capacity, quality and efficiency. This, in turn, determines the volume, quality and efficiency of the data management and software related services that such our data centre can offer to our customers.

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Based on the above, our Group's dependency on having sufficient rack space for IT infrastructure to continue its operations cannot be understated as the sufficiency of racks serves as a key factor that limits our Group's capacity in housing its IT infrastructure, through which it provides its document management services and enterprise software solutions to its customers. Ultimately, our Group needs to have sufficient rack space to house the critical functions of the daily activities and to maintain its competitive advantage to drive growth. Without sufficient rack space, our Group is most likely unable to continue upgrade its IT infrastructure to meet the ever increasing customer and market demand in service and connectivity upgrades or the Tier 3 Requirements, the full implementation of which is imminent, and hence experiences severe detrimental effects to its daily operations and implication to its future growth.

	Year ended 31 December 2016			Year ended 31 December 2017			Year ended 31 December 2018			Nine months ended 30 September 2019		
	Total number of racks available	Allocated rack	Utilisation rate	Total number of racks available	Allocated rack	Utilisation rate	Total number of racks available	Allocated rack	Utilisation rate	Total number of racks available	Allocated rack	Utilisation rate
Streamline Suite & Document Management Services	22	9	40.9%	22	16	72.7%	25	20	80.0%	25	25	100.0%
Common infrastructure	3	3	100%	3	3	100.0%	3	3	100.0%	3	3	100.0%
<b>Total</b>	<b>25</b>	<b>12</b>	<b>48.0%</b>	<b>25</b>	<b>19</b>	<b>76.0%</b>	<b>28</b>	<b>23</b>	<b>82.1%</b>	<b>28</b>	<b>28</b>	<b>100.0%</b>

*Note:* During the Track Record Period, the Group assumed that maximum number of servers that can be mounted onto a rack is eight servers though this may vary depending on the customer's needs and technical requirements. Some customers may request for one dedicated rack for themselves and this dedicated rack cannot be shared with other customers. Therefore, this would reduce the actual capacity of that one rack. The increase in use of racks is mainly a result of an increase in services provided to customers and/or increase in customers. The increase in racks in 2018 from 25 to 28 was a result of renovation and expansion of our data centre for more data hosting capacity and the Group managed to add a total of three additional racks. The utilisation rates are calculated based on the actual number of racks in use by the Group's customers during the year/period divided by the total number of available rack during the year/period and multiplied by 100%. Further, 13 racks at our Group's production & recovery centre which are mainly for recovery purpose and two racks at our Group's legal documents fulfilment centre which are mainly for production purpose have also been fully utilised.

As at the Latest Practicable Date, the utilisation of our racks was already 100% utilised and we were required to host certain web analytic externally at a third party data centre. We are able to use an external third party data centre for the web analytic as it does not involve data or document sensitive information. To comply with RMIT requirements and ensure that our Group's services to FI customers will not be interrupted during the construction of our new data centre, we have obtained consents from our major FI customers that our Group be allowed for a period of not more than 24 months starting from 1 January 2020 as an one-off transitional arrangement to temporarily lease rack space from a third-party Tier 3 data centre. For details, please refer to section headed "Business – Our Business Strategies" in this prospectus.

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Our Directors believe that our Group's data centre's capacity, both physically and technically is at its limit and therefore our Group is required to invest in a new data centre to capture the market demand and to expand its operations both horizontally and vertically. Further, as our Group has existing on-going customers to service and is providing its service on a 24/7 basis, it is not commercially feasible for our Group to cease existing operations and terminate existing contracts for the purpose of undergoing expansion and development of a new data centre. For details of our Group's data centre inadequacy, please see the section headed "Business – Our Business Strategic" in this prospectus.

With the expanded data-hosting capability, we will be able to scale up our Group's existing operations in generating revenue from the following services:

- Full hosting managed services (with SaaS) where we provide infrastructure, hardware and software applications;
- Partial hosting managed services (without SaaS) where we provide infrastructure and hardware; and
- Colocation services where we provide data centre infrastructure, managed services and technical support of the servers situated on the data centre.

Further details on our business strategies in relation to the proposed new data centre, please see the section headed "Business – Our Business Strategies" in this prospectus.

Our Directors believe that the demand for digital services will continue to increase as customers adopt more enterprise software solutions. According to the CIC Report, it is expected that companies will tend to adopt the private cloud deployment of software due to its lower upfront costs and therefore, additional data hosting space is needed to accommodate the potential increase in customers for our products and services. During the Track Record Period, we have generated revenue from four customers which required the usage of our data centre. The below are details of our data centre related revenues:

Customer	Service provided	Contract term	Revenue generated for the year ended 31 December			Revenue generated for the nine months ended 30 September	Estimated annual revenue for the year ending 31 December		
			2016	2017	2018	2019	2019	2020	2021
			(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Group F	Enterprise software solutions	April 2018 – March 2021	Nil	Nil	473	293	395	395	99
Group C	Enterprise software solutions	November 2018 – October 2021	Nil	Nil	Nil	Nil	Nil	396	330
Customer C and part of Group C	Outsourced document management services	(Note 1)	Nil	179	149	87	120	120	120
Customer G (Note 2)	Enterprise software solutions	(Note 3)	Nil	Nil	Nil	Nil	24	98	98

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*Note 1:* The contract commenced in June 2017 and continues on a monthly basis subject to termination.

*Note 2:* Customer G is a private company incorporated in Malaysia and principally engaged in underwriting life insurance and investment linked business. According to Customer G's audited financial statements for the year ended 31 December 2018 it had revenues of approximately RM190 million.

*Note 3:* The contract commenced in October 2019 and continues on an annually basis subject to termination.

Since the fourth quarter of 2018, we have initiated discussions with various existing customers for the provision of data centre and/or data hosting services. All of these customers have indicated that they require a Tier 3 classification for using third party data centres.

For the three years ended 31 December 2018 and the nine months ended 30 September 2019, revenue generated from the provision of enterprise software solutions was approximately RM1.8 million, RM1.6 million, RM1.9 million and RM5.8 million, respectively, and represented approximately 2.6%, 2.2%, 2.9% and 10.6% of our total revenue, respectively.

If our Streamline Suite is provided as an application on its own, then we will enter into software license and maintenance agreement and the following salient terms are typically included:

- *Charges:* The agreement sets out that all payments are to be made in RM/SGD (as applicable) and that unless previously agreed, charges imposed on the customer will not change. All charges are exclusive of goods and services tax. A credit period of 30 to 60 days will be given to the customer and any late payment will be subject to a late payment interest of 10% per annum. In addition to implementation fees and programming fees, for the licensing of our software, we will charge a monthly licensing fee and for customers who purchase our software, we will charge a lump sum and an annual maintenance fee.
- *License:* The rights given to use the software are non-exclusive and only for use within Malaysia and/or Singapore, as applicable.
- *Testing:* Multiple tests and verification are to be carried out before acceptance of any installation and customization.
- *IP rights:* Rights in the software are retained by our Group and the customer will not without the written consent of our Group sell, lease, assign, transfer or license their rights under the license agreement. Our Group will indemnify our customer where the use infringes the patent, copyright, registered design or trade mark rights of any third party.

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- *Termination:* Either party may terminate the agreement subject to written notice for the other party if the other party: (i) commits a material breach that cannot be rectified; (ii) is unable to pay debts or enters into compulsory or voluntary liquidation. Upon termination, both sides shall mutually return to each other any documents pertaining to the other side. The customer shall pay all amounts due and owed on a pro rata basis.
- *Governing law:* The agreement is to be governed by and construed in accordance with the laws of Malaysia and Singapore, as applicable.
- *Non-solicitation:* Both parties agreed for a certain period of years not to solicit the other party's staff for employment or services.
- *Term of license:* The initial licensee period generally has fixed terms of 1 to 3 years with an option to renew the agreement for one or more years or maybe continuous but subject to payment of annual maintenance fee or termination.
- *Customer's data:* We are required to take reasonable measures to preserve the integrity of customers' data and prevent any corruption or loss of customers' data. We are also, where applicable, required to procure that our employees and subcontractors agree to observe the customer's data protection requirements.
- *Examination and inspection:* We are required to allow for inspection or examination by the customer's auditors and/or government authorities relevant documents and information.

Please refer to the section headed "Business – Outsourced Document Management Services" in this prospectus for information on the salient terms where the Streamline Suite software usage is linked to our Group's outsourced document management services.

## SALES AND MARKETING

Our sales team is led by our Executive Directors, Mr. F Ling and Mr. W Ling, who are jointly responsible for marketing our Group's products and services. As our Group's source of business is mainly through (i) our Group's established presence in the market and (ii) our Group's existing customer base in Malaysia, our Group did not carry out substantial amount of marketing during the Track Record Period. However, going ahead, as our Streamline Suite applications have a comprehensive set of document solutions and are ready for various operating systems, we intend to implement a wider marketing strategy to promote our Streamline Suite and services to regional countries such as Singapore, to increase market penetration and to target a wider range of industries. To tackle our additional marketing requirements, we propose to hire additional marketing staff to cope with an increase in marketing activities that will be required for us to achieve our Group's growth objectives. For details relating to our Group's strategies, please refer to the section headed "Business – Our Business Strategies" in this prospectus.

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During the Track Record Period, new customers who know of our Group through word of mouth would approach us to request us to submit a proposal for which the customer requires a solution. Even though we may be awarded a project, it may take up to six months to implement the solution for the customer.

### Sales markets

During the Track Record Period, over 90% of our revenue was derived from customers located in Malaysia. The following table sets out the breakdown of our revenue categorised by geographical locations of our customers during the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2016		2017		2018		2018		2019	
	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%
Malaysia	67,195	98.5	70,200	98.8	66,836	99.6	48,677	99.5	49,727	91.6
Singapore	1,003	1.5	844	1.2	259	0.4	242	0.5	4,539	8.4
	<u>68,198</u>	<u>100.0</u>	<u>71,044</u>	<u>100.0</u>	<u>67,095</u>	<u>100.0</u>	<u>48,919</u>	<u>100.0</u>	<u>54,266</u>	<u>100.0</u>

As part of our Group's future plans, we propose to target new customers in Singapore and will allocate part of the net proceeds from the Listing to increase our marketing activities to capture new customers in Singapore and Malaysia. Please refer to the section headed "Business – Our Business Strategies" in this prospectus.

### Pricing Policy

During the Track Record Period, we have adopted different pricing policies for provision of (i) our outsourced document management services and (ii) enterprise software solutions.

Customers for our outsourced document management services will typically be charged on unitised fees, a management fee to manage the services provided or a programming and other fees which are based on man-day effort. The fees and rates charged to customers for the use of our outsourced document management services will depend on, among other things, the volume of electronic document conversion, mailings, scope and complexity of work.

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In 2017, in line with the widespread adoption of SaaS, we made the shift to SaaS pricing model for our Streamline Suite for new customers. We provide new customers with the option to use our Streamline EDW as a SaaS based on an annual license fee. SaaS model provides better entry-level pricing and the ability for us to add features or functions as an upgrade as the customers mature and gain value from the initial experience on our software. This lowers the financial barrier to adoption of our software and create sustainable, recurring revenue streams for us. However, at the same time, we will maintain our sale of license and maintenance model for existing customers as certain customers require our pricing quotation to meet their internal budget constraints.

Usually, the base user pack for our Streamline Suite is multiple of five users and extension pack for any additional users will be based on 25 or 30 users. We don't deploy a fixed pricing model as the scope of implementation and services may differ from one customer to another. We usually price according to the customer's needs, scope of services, complexity and size of operation.

As part of our software implementation process, we will charge an implementation fee based on the number of man-day required during the implementation period. A man-day effort is defined as being the amount of work that can be done by one person within the working hours of a day. Software upgrades are included within our license fee but additional features or functional upgrades are separately quoted and charged.

During the Track Record Period, there has not been any material fluctuation in the pricing of our software license and services.

### **Credit policy and payment**

We typically offer a credit period of up to 60 days from the date of our invoice for settlement. Payment from our customers are typically made by cheque or telegraphic transfer.

## **CUSTOMERS**

During the Track Record Period, all of our customers are located in Malaysia and Singapore and we serviced either their operation in Malaysia or operation in Singapore. For the three years ended 31 December 2018 and the nine months ended 30 September 2019, we had 131, 126, 109 and 107 customers, respectively. As we possess the technical capability, flexibility of customising our software to meet our customers' specific needs and ability to provide accurate and efficient processing, we believe this has led to a majority of our customers to return and continue using our services by renewing the service contracts when they expire. With the exception of three agreements, all of the agreements that have expired within and subsequent to the Track Record Period have been renewed, or in the process of being renewed.



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During the Track Record Period and up to the Latest Practicable Date, our customers were companies from the banking, insurance and retail industries. We have a stable business based on our long-term relationship with our major customers and providing outsourced document management services and enterprise software solutions. To the best knowledge of our Directors, the common thread among our customers was that they all dealt with a large volume of end-customers on a daily basis. The table below sets out a breakdown of the revenue generated from our customers in these different industries:

	Year ended 31 December									Nine months ended 30 September					
	2016			2017			2018			2018			2019		
	Number of customers			Number of customers			Number of customers			Number of customers			Number of customers		
	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%			
Banking industry (Note 1)	21	36,188	53.1	19	35,819	50.4	20	34,791	51.8	20	25,634	52.4	21	27,573	50.8
Insurance industry (Note 2)	20	21,404	31.4	20	24,772	34.9	19	21,716	32.4	18	16,232	33.2	24	17,623	32.5
Retail industry (Note 3)	90	10,606	15.5	87	10,453	14.7	70	10,588	15.8	66	7,053	14.4	62	9,070	16.7
Total	131	68,198	100.0	126	71,044	100.0	109	67,095	100.0	104	48,919	100.0	107	54,266	100.0

*Notes:*

- Customers in the banking industry mainly comprise of FI regulated by the Bank Negara Malaysia and asset management companies regulated by the Securities Commission Malaysia.
- Customers in the insurance industry mainly comprise of Malaysian insurance companies and takaful operators regulated by the Bank Negara Malaysia.
- Customers in the retail industry comprise of loyalty program and multi-level marketing companies, law firms and oil companies.

The following table sets out the movement in the number of our Group's customers using our Group's services during the Track Record Period:

	Year ended 31 December			Nine months ended
	2016	2017	2018	30 September 2019
Number of customers at beginning of year	144	131	126	109
Number of new customers	30	26	15	19
Number of lost customers (Note)	43	31	32	21
Number of customers at year end	131	126	109	107

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The decrease in the customers in each year from the previous year during the Track Record Period was mainly because (i) these customers were only one-off customers; (ii) the customer had undergone internal restructuring and services were realigned to other companies that were considered as our new customers in the subsequent year; and (iii) the customers only required printing of cheques on an ad-hoc basis. None of these customers were top five major customers during the Track Record Period or as at the Latest Practicable Date and with exception to one customer that underwent restructuring into four companies which remained as our customers in the subsequent year, none of them accounted for more than 1% of our Group's revenue during the relevant year. The average revenue generated from these one-off customers amounted to approximately RM24,000, RM17,000, RM14,000 and RM56,000 for the three years ended 31 December 2018 and nine months ended 30 September 2019, respectively. The new customers for the year ended 31 December 2016 were customers mainly from the retail industry, which, on average, generated relatively less revenue. From the year 2017 onwards, while retaining its recurring customers, the Group focused more on large-scaled customers, including large FI customers, which can generate more revenue. This results in decrease in the number of new customers during the Track Record Period.

During the Track Record Period, we did not experience any early termination by our customers for our Group's services.

The table below sets out a breakdown of the revenue generated from our new and recurring customers during the Track Record Period.

	2016		Year ended 31 December		2018		Nine months ended 30 September	
	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%
New customers	1,815	2.7	2,920	4.1	1,547	2.3	3,059	5.6
Recurring customers	66,383	97.3	68,124	95.9	65,548	97.7	51,207	94.4
Total	68,198	100.0	71,044	100.0	67,095	100.0	54,266	100.0

Customers that have generated revenue from an immediately preceding year during the Track Record Period are deemed as recurring customers. As at the Latest Practicable Date, the average number of years of relationship with recurring customers for the nine months ended 30 September 2019 is around eight years. Customers that were not customers from an immediately preceding year during the Track Record Period are deemed as new customers.

### Underpayment of GST

During the Track Record Period, we provided services to various customers which included arranging for the mailing of documents. The mailing of these documents is processed by Supplier A, the national postal service provider, and we are accordingly invoiced for such services. We then charge our customers for the same amount as invoiced to us by Supplier A ("Service Charges"). With regard to whether or not any goods and services tax (the "GST") is payable on the Service Charges, we made enquiries with Supplier A to which they replied that no GST was

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chargeable. As confirmed by our Directors, our Group's underpayment of the GST was based on the lack of understanding of the tax laws in Malaysia by our senior account executive responsible for this matter, and her belief that given no GST was charged by Supplier A, it would also mean that our Group would not be required to charge GST to our customers for the Service Charges.

In November 2016, we were notified by the Royal Malaysian Customs Department ("RMCD") that there was an underpayment of GST by Compugraphic Media for the taxable period from 1 April 2015 to 31 July 2016 in the amount of approximately RM1.9 million and an underpayment of GST by Coeus Systems for the taxable period from 1 April 2015 to 31 August 2016 in the amount of approximately RM0.5 million. Upon clarification of this matter, it was further agreed with RMCD that the amounts claimed could be paid by installments. The full amount of the underpayments was fully settled by Compugraphic Media in October 2018 and by Coeus Systems in November 2017.

Since the Group's establishment, during the Track Record Period and up to the Latest Practicable Date, we have not received any other notification from RMCD that we had underpaid any other GST. We have also obtained a confirmation from RMCD in March 2019 to confirm that there is no outstanding GST based on a review conducted in March 2019.

Our Malaysia Legal adviser has further confirmed the following with the relevant officers of RMCD during the due diligence interview on 2 April 2019:

- a. all the GST payables have been fully settled by the Compagraphic Media and Coeus Systems;
- b. if the unpaid amount were fully settled, no follow up actions or sanctions will be taken against Compagraphic Media and Coeus Systems and both companies are not required to pay any additional GST, penalty or fines in relation to the same to RMCD; and
- c. all the service tax returns have been filed by Compagraphic Media and Coeus Systems to RMCD within the prescribed period and there is no outstanding payment due and owing by the Companies to RMCD.

With a view to strengthening our staff's understanding of the tax regulations applicable in Malaysia, we have strengthened our finance department with more staff with accounting and tax expertise to handle the GST matters, and our staff is required to seek advice from RMCD and/or other relevant tax authorities whenever there was any new tax laws and regulations. Further, we have introduced a new tax handling policy wherein our financial manager, instead of our senior account executive will handle the tax planning for our Group. She is also required to consult our tax consultant if there are new tax regulations applicable to our operations.

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As advised by the Malaysia Legal Adviser, the underpayment of GST is not considered as a non-compliance since (i) it is clearly stated in the notices issued by RMCD in November 2016 that pursuant to Section 43 of the GSTA 2014, the underpaid amount were due and payable and as such, it shall not constitute a fine or penalties imposed against us; (ii) as at the Latest Practicable Date, RMCD did not issue any notices imposing any fine or penalties against us pertaining to the abovesaid matter; and (iii) the notices were not issued under any of the sections under Part XI of GSTA 2014 being the part of the legislation that spell out all types of non-compliance as well as the corresponding offence and penalties that may be imposed thereunder.

### **Views of our Directors and the Sole Sponsor**

During the Track Record Period, our Group had underpaid GST, the details of which are as set out above. Given the underpayment of GST incidents, our Directors have considered the following and taken various measures to enhance our internal controls:

- we have obtained advice from our Malaysia Legal Adviser that the underpayment should not be considered as a non-compliance incident under Malaysia laws and hence there is a low risk of prosecution or retrospective prosecution;
- the underpayment of GST was mainly due to different views of tax treatment and classification under a new tax law which came into effect in 2015;
- once becoming aware of the underpayment of GST, our executive Directors used their best endeavours to take relevant remedial actions, where necessary and appropriate and as at the Latest Practicable Date, the underpayment of GST have been fully settled;
- the underlying reasons for underpayment of GST did not involve any intentional misconduct, fraud, dishonesty or corruption on the part of our executive Directors and there was no indication that our executive Directors had a willful underpayment of GST; and
- after becoming aware of the requirements under the relevant laws and regulations, in order to reinforce the knowledge of our executive Directors, our senior management and the relevant staff, training has been provided by our tax consultant to obtain a comprehensive understanding of the relevant laws and regulations applicable to our operation and we have further proposed that the Malaysia Legal Adviser will provide regular updates of the laws and regulations relevant to our operations.

By reason of the above, our Directors are of the view, and the Sole Sponsor concurs, that the past underpayment of GST did not involve any dishonesty on the part of our Directors and does not reflect a material defect in the character, integrity or competence of our Directors and therefore does not affect our Directors' suitability to act as directors of a listed issuer as required under Rules 3.08 and 3.09 of the Listing Rules.

## BUSINESS

The table below shows our top five customers for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019:

### Year ended 31 December 2016

Customer	Type of customer (Banking/ Insurance/ Retail)	Services provided	Years of relationship with our Group as at the Latest Practicable Date (approximate)	Credit Terms/ Payment method	Revenue (RM'000)	As a percentage of total revenue (%)
1. Customer A	Banking	Outsourcing	13	30 days/TT	19,447	28.5
2. Customer B	Insurance	Software and Outsourcing	10	30 days/TT	6,591	9.7
3. Customer C	Banking	Outsourcing	11	30 days/TT	4,960	7.3
4. Customer D	Retail	Outsourcing	11	30 days/cheque	4,645	6.8
5. Customer E	Insurance	Outsourcing	16	30 days/TT	3,843	5.6
Total					39,486	57.9

### Year ended 31 December 2017

Customer	Type of customer (Banking/ Insurance/ Retail)	Services provided	Years of relationship with our Group as at the Latest Practicable Date (approximate)	Credit Terms/ Payment method	Revenue (RM'000)	As a percentage of total revenue (%)
1. Customer A	Banking	Outsourcing	13	30 days/TT	16,952	23.9
2. Customer B	Insurance	Software and Outsourcing	10	30 days/TT	9,218	13.0
3. Customer C	Banking	Outsourcing	11	30 days/TT	5,809	8.2
4. Customer D	Retail	Outsourcing	11	30 days/cheque	4,907	6.9
5. Customer E	Insurance	Outsourcing	16	30 days/TT	4,170	5.9
Total					41,056	57.9

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## BUSINESS

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### Year ended 31 December 2018

	Customer	Type of customer (Banking/ Insurance/ Retail)	Services provided	Years of relationship with our Group as at the Latest Practicable Date (approximate)	Credit Terms/ Payment method	Revenue (RM'000)	As a percentage of total revenue (%)
1.	Customer A	Banking	Outsourcing	13	30 days/TT	12,407	18.5
2.	Customer C	Banking	Outsourcing	11	30 days/TT	8,547	12.7
3.	Customer D	Retail	Outsourcing	11	30 days/cheque	5,015	7.5
4.	Customer B	Insurance	Software and Outsourcing	10	30 days/TT	4,912	7.3
5.	Customer E	Insurance	Outsourcing	16	30 days/TT	<u>3,859</u>	<u>5.8</u>
					Total	<u><u>34,740</u></u>	<u><u>51.8</u></u>

### Nine months ended 30 September 2019

	Customer	Type of customer (Banking/ Insurance/ Retail)	Services Provided	Years of relationship with our Group as at the Latest Practicable Date (Approximate)	Credit Terms/ Payment method	Revenue (RM'000)	As a percentage of total revenue (%)
1.	Customer A	Banking	Outsourcing	13	30 days/TT	8,803	16.2
2.	Customer C	Banking	Outsourcing	11	30 days/TT	5,682	10.5
3.	Customer B	Insurance	Software and Outsourcing	10	30 days/TT	4,510	8.3
4.	Customer D	Retail	Outsourcing	11	30 days/cheque	3,011	5.5
5.	Customer E	Insurance	Outsourcing	16	30 days/TT	<u>2,746</u>	<u>5.1</u>
					Total	<u><u>24,752</u></u>	<u><u>45.6</u></u>

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## BUSINESS

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*Notes:*

1. Customer A is a company incorporated in Malaysia and governed under Malaysia laws as a banking institution. Customer A is listed on Bursa Malaysia and as at the Latest Practicable Date has a market capitalization of approximately RM32.9 billion. According to Customer A's annual report for the year ended 30 June 2019, it had revenues of RM4,726 million and profit after tax of RM2,665 million. Further, according to Customer A's annual report for the year ended 30 June 2019, it employs approximately 8,000 employees. Revenue from Customer A decreased during the Track Record Period because Customer A shifted to electronic delivery for its statements (mainly credit card statements) by using its internal system it deployed before we developed our Streamline OMS for sending e-statements via email to their customers. As a result, our Group's revenue from the print and mail fulfilment, supply of materials and postage from Customer A dropped.
2. Customer B is a private company incorporated in Malaysia and an indirect wholly owned subsidiary of a company listed on various stock exchanges. According to its website, it was established in 1924 and for the financial year ended 31 December 2018, it achieved RM1.5 billion in new business sales. Further, it employs more than 1,700 employees.
3. Customer C is a company incorporated in Malaysia and governed under Malaysia laws as a banking institution. Its principal activities are commercial banking and the provision of related financial services, including Islamic banking. The parent company of Customer C is listed on Bursa Malaysia and as at the Latest Practicable Date has a market capitalization of approximately RM41.7 billion. According to publicly available information, the parent company has approximately 36,000 staff in 16 countries. According to Customer C's audited financial statements for the year ended 31 December 2018 it had revenues of approximately RM11,759 million and profit after tax and zakat of RM2,847 million.
4. Customer D is a company incorporated in Malaysia and manages one of Malaysia's consumer reward programme. According to its website, the program operated by Customer D was launched in 1998 and the program boasts a growing membership at the rate of 25,000 to 30,000 per month, collecting bonus points from over 20 brands in 3,000 outlets in Malaysia.
5. Customer E is a private company incorporated in Malaysia and principally engaged in underwriting life insurance and investment linked business. The parent company of Customer E is listed on Bursa Malaysia and as at the Latest Practicable Date, the parent company of Customer E had a market capitalization of approximately RM2.5 billion. According to the annual report for the year ended 31 December 2018 of the parent company of Company E, the parent company employed over 142,000 employees worldwide. Further, the operating revenue for the parent company of Customer E was approximately RM5,182 million for the year ended 31 December 2018.

For the three years ended 31 December 2018 and the nine months ended 30 September 2019, sales to our top five customers collectively accounted for approximately 57.9%, 57.9%, 51.8% and 45.6% of our total revenue, respectively, and sales to our single largest customer, Customer A, accounted for approximately 28.5%, 23.9%, 18.5% and 16.2% of our total revenue, respectively.

## BUSINESS

### Relationships among certain top customers of our Group during the Track Record Period

To the best of our Directors' knowledge, some of the contracting parties that entered into contracts with our Group are related to each other and may be common subsidiaries within a group or have a parent and subsidiary relationship. To the best knowledge of our Directors, each of the customers that we entered into an agreement with had their own management and separate operations.

In order to portray our customers' profiles, below sets out the top five largest customers by related groups during the Track Record Period:

Name of Group	Business Nature	Services Provided	Year ended 31 December 2016				Year ended 31 December 2017				Year ended 31 December 2018				Nine months ended 30 September 2019			
			Rank in 2016	Revenue recognised (RM'000)	% of total revenue	Rank in 2017	Revenue recognised (RM'000)	% of total revenue	Rank in 2018	Revenue recognised (RM'000)	% of total revenue	Rank in 2019	Revenue recognised (RM'000)	% of total revenue	Rank in nine months ended 30 September 2019	Revenue recognised (RM'000)	% of total revenue	
Group A (Note 1)	Banking	Software and Outsourcing	1	20,984	30.8	1	18,860	26.5	1	14,410	21.5	1	10,111	18.6				
Group B (Note 2)	Insurance	Software and Outsourcing	2	9,017	13.2	2	10,658	15.0	4	6,335	9.4	4	5,800	10.7				
Group C (Note 3)	Banking	Outsourcing	3	7,318	10.7	3	8,211	11.6	2	11,337	16.9	2	7,893	14.5				
Customer D (Note 4)	Retail	Outsourcing	4	4,645	6.8	N/A	N/A	N/A	5	5,015	7.5	N/A	N/A	N/A				
Group E (Note 5)	Insurance	Outsourcing	5	4,595	6.7	5	4,924	6.9	N/A	N/A	N/A	5	3,165	5.8				
Group F (Note 6)	Banking	Software and Outsourcing	N/A	N/A	N/A	4	5,461	7.7	3	7,991	11.9	3	6,383	11.8				



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## BUSINESS

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### *Notes*

1. Group A consists of Customer A and three other companies operating under the Group's brand. Group A is a major public listed banking group in Malaysia. As at the Latest Practicable Date, parent company of Group A had a market capitalisation of approximately RM17.3 billion. According to the latest annual report of parent company of Group A, it had a net profit of approximately RM2,914 million for the year ended 30 June 2019 and total assets of approximately RM237.9 billion as at 30 June 2019.
2. Group B consists of Customer B and two other companies operating under the Group's brand. As at the Latest Practicable Date, the parent company of Group B had a market capitalisation of approximately £31.0 billion. According to the latest annual report of the parent company of Group B, it had a net profit of approximately £3,013 million for the year ended 31 December 2018 and total assets of approximately £508,645 million as at 31 December 2018.
3. Group C consists of Customer C and four other companies operating under the Group's brand. The four companies operate businesses in asset management, investment banking, Islamic banking and consumer and commercial banking, all of which are operating in Malaysia. As at the Latest Practicable Date, the parent company of Group C had a market capitalisation of approximately RM41.7 billion. According to the latest annual report of the parent company of Group C, it had a net profit of approximately RM5.6 billion for the year ended 31 December 2018 and total assets of approximately RM534.1 billion as at 31 December 2018.
4. Customer D is a company incorporated in Malaysia and manages one of Malaysia's consumer reward programme. According to its website, the program operated by Customer D was launched in 1998 and the program boasts a growing membership at the rate of 25,000 to 30,000 per month, collecting bonus points from over 20 brands in 3,000 outlets in Malaysia.
5. Group E consists of Customer E and a general insurance company operating in Malaysia that offers a comprehensive range of life and health insurance as well as investment-linked products. As at the Latest Practicable Date, the parent company of Group E had a market capitalisation of approximately RM2.5 billion. According to the latest annual report of the parent company of Group E, it had operating revenue of approximately RM5,182 million for the year ended 31 December 2018 and total assets of approximately RM17,405 million as at 31 December 2018.
6. Group F consists of five companies that operate businesses in banking, Islamic banking, takaful and insurance within Malaysia. According to publicly available information, Group F is one of the largest banking groups in Malaysia whose core businesses are retail banking, wholesale banking, Islamic banking, and life and general insurance. As at the Latest Practicable Date, the parent company of Group F had a market capitalisation of approximately RM10.8 billion. According to the latest annual report of the parent company of Group F, it had a net profit of approximately RM1,505 million for the year ended 31 March 2019 and total assets of approximately RM158.8 billion as at 31 March 2019.

To the best of our Directors' knowledge, none of our Directors, their respective close associate or Shareholders (who or which, are known to own more than 5% of the issued share capital of our Company as at the Latest Practicable Date) has any interest in any of our five largest customers during the Track Record Period. All these five largest customers are Independent Third Parties.

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## BUSINESS

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### **Customer service**

Technical support for our customers is critical in maintaining a good relationship with our customers. Support services for our customers are provided by our support staff in our information technology department. As at the Latest Practicable Date, our support services team has nine staff to assist customers with technical issues. Any issues received by our customer servicing staff will be appropriately directed to the customer relationship manager and technical director to resolve.

Further, we have implemented information security measures to protect interests and confidentiality of our Group, our customers and end-users against unauthorised access and cyber attacks, which we believe are paramount for us to maintain the customers', the markets' and other stakeholders', e.g. the Bank Negara Malaysia's confidence in our services and products, and distinguish us from small companies/customers which may not have the resources and expertise in implementing such security measures. For details, please see the section headed "Business – Information System Risk Management" in this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material issues relating to our Streamline Suite or our services and have not received any material complaints from our customers regarding our products or services.

### **Service incidents**

During the Track Record Period, there were six reports of service incidents such as, among other things, receiving two return mail envelopes with non visible address at window position, wrong information inserted in a customer statement, information relating to clients were swapped, printing error on a medical card, wrong email delivery of statements. To the best knowledge and understanding of our Directors, the cause of these incidents were mainly a result of human error and none of them were a result of a failure or error within our software applications and none of these incidents resulted in a material breach of contract. All of these incidents were discussed with our customers and resolved. Only one of the six reports of incidents resulted in the imposition of a fine of approximately RM4,600. To ensure these events will not happen again, and based on the recommendation of the internal control review consultant we have implemented various corrective measures, such as establishing a set of standard operating procedures for client servicing and production and training to new employees during probation.

### **SUPPLIERS AND SERVICE PROVIDERS**

During the Track Record Period, material suppliers mainly supplied paper products such as paper and envelopes, and printing consumables. We are also required to source for services suppliers for our posting needs and for certain printing needs that we could not do in-house. We do not enter into any long term supply agreements with any suppliers or service providers and will purchase or engage them on an as required basis. The credit period granted by suppliers and service providers (if any) is generally 30 days.

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## BUSINESS

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### **Printing paper and consumables**

With the exception of one paper supplier which is a connected person of our Executive Directors, all of our other paper and consumables suppliers are Independent Third Parties. It is expected that the purchase of paper from the connected person will continue after the Listing and therefore such purchases will constitute continuing connected transactions for our Company under the Listing Rules. Details of the continuing connected transactions are set out in the section headed “Continuing Connected Transactions – Exempt continuing connected transactions” in this prospectus. During the Track Record Period, some of our customers may directly supply their own printed letterhead for our use in their jobs only which we believe is because they may be able to source paper at lower costs than our Group.

### **Postal and Courier Services**

Due to the nature of our operations, we require the services of the local postal delivery service. The postal service provider is Malaysia’s national postal service provider and according to publicly available information, it has a network of more than 1,000 touch points throughout Malaysia. The services provided include conventional postal services and registered postal services. We also use courier services companies for expedited courier services.

For the three years ended 31 December 2018 and the nine months ended 30 September 2019, the amount of fees paid for postal and courier services amounted to approximately RM32.4 million, RM32.8 million, RM26.4 million and RM19.8 million, respectively or approximately 63.4%, 65.2%, 65.5% and 61.8% of our Group’s cost of sales, respectively.

### **Reliance on Supplier A**

During the Track Record Period, we relied on our single largest supplier, Supplier A, which accounted for approximately 71.3%, 74.4%, 76.8% and 71.4%, of our Group’s total purchases for the three years ended 31 December 2018 and the nine months ended 30 September 2019, respectively. The services provided by Supplier A were postal services and Supplier A is the only postal service provider in Malaysia. According to publicly available information, Supplier A holds an exclusive concession to provide mail services through its network of branches and mini post offices in Malaysia. We believe that our reliance on Supplier A will continue after the Listing, but we do not believe that such reliance will have any material impact on our Group’s operations, as we do not believe that our Group is subject to any different treatment or is subject to any different risks as compared to our competitors who also require postal services. In any event, we believe that the relationship we have with Supplier A is mutually beneficial and the only market practice available.

## BUSINESS

The table below shows our top five suppliers for each of the three years ended 31 December 2018:

### Year ended 31 December 2016

	Supplier	Services/ Materials provided	Years of relationship with our Group as at Latest Practicable Date (approximate)	Credit Terms/Payment methods	Costs of services (RM'000)	As a percentage of total purchase (%)
1.	Supplier A	Postal services	14	Deposit/Cash/ cheque	32,229	71.3
2.	Supplier B	Paper products	12	30 days/TT	3,231	7.1
3.	Supplier C	Paper products	18	30 days/TT	2,463	5.4
4.	Supplier D	Paper products	11	30 days/TT	1,706	3.8
5.	Supplier E	Printer parts and toner	6	14 days/cheque/ TT	1,347	3.0
				Total	<u>40,976</u>	<u>90.6</u>

### Year ended 31 December 2017

	Supplier	Services/ Materials provided	Years of relationship with our Group as at Latest Practicable Date (approximate)	Credit Terms/Payment method	Costs of services (RM'000)	As a percentage of total purchase (%)
1.	Supplier A	Postal services	14	Deposit/Cash/ cheque	32,492	74.4
2.	Supplier C	Paper products	18	30 days/TT	2,276	5.2
3.	Supplier D	Paper products	11	30 days/TT	1,978	4.5
4.	Supplier E	Printer parts and toner	6	14 days/cheque/ TT	1,912	4.4
5.	Supplier B	Paper products	12	30 days/TT	<u>1,756</u>	<u>4.0</u>
				Total	<u>40,414</u>	<u>92.5</u>

## BUSINESS

### Year ended 31 December 2018

	Supplier	Services/ Materials provided	Years of relationship with our Group as at Latest Practicable Date (approximate)	Credit Terms/Payment method	Costs of services (RM'000)	As a percentage of total purchase (%)
1.	Supplier A	Postal services	14	Deposit/Cash/ cheque	26,089	76.8
2.	Supplier B	Paper products	12	30 days/TT	1,890	5.6
3.	Supplier D	Paper products	11	30 days/TT	1,703	5.0
4.	Supplier C	Paper products	18	30 days/TT	1,394	4.1
5.	Supplier E	Printer parts and toner	6	14 days/cheque/ TT	489	1.4
				Total	<u>31,565</u>	<u>92.9</u>

### Nine months ended 30 September 2019

	Supplier	Services/ Materials provided	Years of relationship with our Group as at the Latest Practicable Date (Approximate)	Credit Terms/ Payment method	Costs of services (RM'000)	As a percentage of total purchase (%)
1.	Supplier A	Postal services	14	Deposit/Cash/ cheque	19,412	71.4
2.	Supplier B	Paper products	12	30 days/TT	1,676	6.2
3.	Supplier D	Paper products	11	30 days/TT	1,523	5.6
4.	Supplier C	Paper products	18	30 days/TT	973	3.6
5.	Supplier E	Printer parts and toner	6	14 days/cheque/ TT	673	2.5
				Total	<u>24,257</u>	<u>89.3</u>

#### Notes:

- Total purchase represented our cost of sales excluding staff cost, depreciation and amortisation.

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## BUSINESS

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2. Supplier A is a company incorporated in Malaysia and operates Malaysia's national postal services, and is also listed on the Bursa Malaysia. According to Supplier A's latest annual report for the year ended 31 March 2019, its group had revenues of approximately RM2,355 million and a loss of approximately RM165.8 million. Further, according to the annual report for the year ended 31 March 2019, Supplier A employed over 23,000 employees.
3. Supplier B is a company incorporated in Malaysia and is principally engaged in the printing of paper products. According to publicly available information, Supplier B has an issued share capital of RM1.5 million and employs approximately 18 staff in Malaysia.
4. Supplier C is Compuforms, a connected person of our Company.
5. Supplier D is a company incorporated in Malaysia and is principally engaged in the manufacture and trading of envelopes. According to publicly available information, Supplier D has an issued share capital of RM243,000 and employs approximately 30 staff in Malaysia.
6. Supplier E is a company incorporated in Malaysia and is principally engaged in the supply of office automation equipment. The parent company of Supplier E was incorporated in 1936 and is listed on the Tokyo Stock Exchange. According to the parent company's website, its group had consolidated net sales of approximately JPY2,000 billion for the year ended 31 March 2019 and employed over 92,000 employees.

For the three years ended 31 December 2018 and the nine months ended 30 September 2019, approximately 90.6%, 92.5%, 92.9% and 89.3% of our Group's purchases was attributable to our Group's five largest suppliers, respectively. In particular, our Group's total purchases attributable to our Group's largest supplier for the three years ended 31 December 2018 and the nine months ended 30 September 2019 was approximately 71.3%, 74.4%, 76.8% and 71.4%, respectively.

Save for the shareholding interest held in Compuforms, to the best of our Directors' knowledge, none of our Directors, their respective close associate or Shareholders (who or which, are known to own more than 5% of the issued share capital of our Company as at the Latest Practicable Date) has any interest in any of our five largest suppliers during the Track Record Period. Save for Compuforms, which is a connected party, all other top five largest suppliers are Independent Third Parties.

## RESEARCH AND DEVELOPMENT

As we develop our own proprietary software, we regularly discuss with our customers on potential needs that they may have and offer potential software solutions which we develop and customise for customers. As such, we try to develop and launch to the market software solutions which we believe have a need for in the banking, insurance and retail industries. For information on our Group's software development process and pipeline of future software solutions, please see the sections headed "Business – Research and Development – Software development cycle" and "Business – Research and Development – Pipeline and planned software applications" in this prospectus.

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## BUSINESS

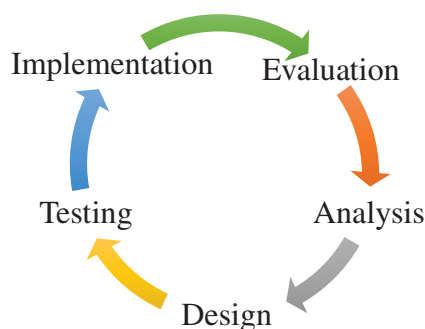
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During the Track Record Period, our R&D costs were mainly staff costs. For the three years ended 31 December 2018 and the nine months ended 30 September 2019, our staff costs in relation to development of software were approximately RM0.9 million, RM0.9 million, RM1.2 million and RM1.0 million, respectively, and these costs were capitalized as intangible assets and amortised to costs of sales over five years. If we are unable to capitalize these costs then the full amount will be charged as an expense during the relevant year in which the cost was incurred.

We believe our software development capability is one of the reasons for our Group's success and has been a key driver of our business growth during the Track Record Period. Our Directors believe that our technical capability and expertise to develop and customize our proprietary software for our customers will continue to be one of our Group's competitive strengths that will set us apart from our competitors as well as enabling us to operate in markets characterised by ever-changing technology, shifting user needs and frequent software product introductions and enhancements. We place great emphasis on developing and improving our software products in order to remain competitive and with the intent of creating additional revenue streams whilst meeting the needs of our customers. Our Group software development is carried out by our R&D staff in our IT department. As at the Latest Practicable Date, our R&D staff in our IT department, comprised eight staff, the majority of whom are university graduates and possess over 5 years of software programming experience. Our IT staff are well versed in operation systems, networking skills, database servers, and are experienced in software programming and cloud technologies.

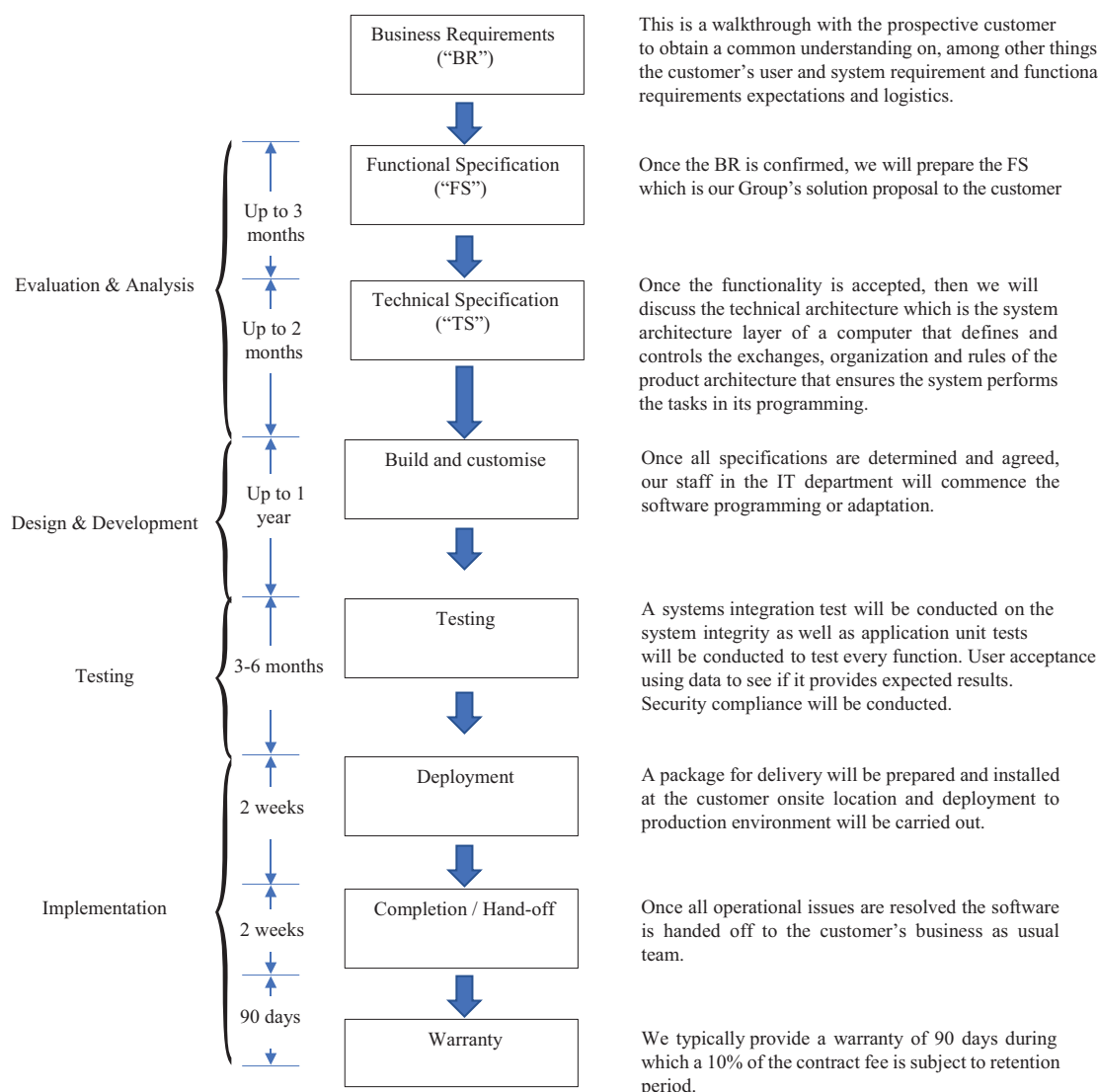
### Software development cycle

For each software that we design and develop, we will follow a standard market process typically referred to as systems development life cycle ("SDLC").



## BUSINESS

The SDLC process covers a number of clearly defined and distinct work phases and is used to plan for, design, build, test and deliver a software to a customer. These work phases are:



*Note:* The timeline for each stage is for reference only and may vary depending on the project nature and complexity.

The timeframe for developing a new module will vary depending on its complexity and may take up to two years before the product is released. In order to remain competitive and to reduce time to market, we intend to apply part of the net proceeds from the Share Offer to increase staffing in our IT department. For details, please refer to the section headed "Business – Our Business Strategies" in this prospectus.



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## BUSINESS

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### Pipeline and planned software applications

As part of our Group's continued development, we seek to develop and offer products that include upgrades on the Streamline Suite as well as new products that offer new functionalities. We intend to focus on developing software solutions primarily related to outsourced document management services for companies in the banking, insurance and retail industries but will also consider developing other software for other industries that we believe will offer significant growth opportunities. During the Track Record Period, we have successfully developed the following softwares:

Product name	Function	Commencement of project	Actual launch date	Actual expenditure (RM)
Streamline Output Management Systems (OMS)	System to automatically organize, format, manage and distribute data that is created by enterprise applications like banking information systems and insurance information systems.	January 2015	February 2017	0.8 million
Streamline Electronic Document Warehouse (EDW)	Content management application that enhance information accessibility, promote organised collaboration and customer contact with secure browser-based interface that provides access to the document repository.	January 2016	March 2018	1.4 million
Streamline Document Management Systems (DMS) (Phase 1)	Focusing on digital asset management, document imaging, workflow systems, records management systems and delivery of content and documents related to organizational processes.	August 2017	August 2018	1.2 million

## BUSINESS

The following table sets out certain information of our R&D roadmap which are expected to be completed subsequent to the Track Record Period.

	2018	2019	2020	2021	2022	2023	Estimated R&D expenses (RM)
<b>Streamline Document Management Systems (DMS) (Phase 2)</b>	Third Quarter		Second Quarter				1.9 million
Upgrade of our digital asset management, document imaging, workflow systems, record management systems and delivery of content and documents related to organization processes.	- Design and development		- Soft Launch	- Official Release			
<b>Streamline DMS for Campaign Management</b>			Second Quarter	Second Quarter			1.1 million
Upgrade of the Streamline DMS application for customers in the retail industry to allow for management of multi channel campaigns and delivery through electronic and printed channels.			- Design and development	- Soft Launch	Fourth Quarter	- Official Release	
<b>Robotics Process Automation</b>			Fourth Quarter	Fourth Quarter	Second Quarter		0.4 million
Development of automated software applications to handle repetitive tasks for business process optimization with increased accuracy and speed.			- Design and development	- Soft Launch	- Official Release		
In the business documentation processes of our customers, certain steps are processed manually, for instance, inter-department discussions, calculation and update of data and transactions. We plan to develop robotic automation process software by deploying Business Intelligence to help customers automate such manual process which results in cost saving.							
<b>Mobile Application (Apple OS)</b>			Third Quarter	Second Quarter	Fourth Quarter		0.3 million
To support our web-based application technologies across multiple platforms to allow for wider user access on mobile operating systems.			- Design and development	- Soft Launch	- Official Release		
<b>Mobile Application (Android OS)</b>			First Quarter	Second Quarter			0.2 million
To support our web-based application technologies across multiple platforms to allow for wider user access on mobile operating systems.			- Design and development	- Official Release			
			Fourth Quarter				
			- Soft Launch				

## BUSINESS

	2018	2019	2020	2021	2022	2023	Estimated R&D expenses (RM)
<b>Blockchain document</b>			Fourth Quarter	Fourth Quarter	Second Quarter		1.4 million
Development of document certification software applications that enables organizations and their users to easily manage and share business documents on a blockchain network, such as purchase orders, policy contracts, shipping notices, and multi-lateral contracts.			- Design and development	- Soft Launch	- Official Release		
Blockchain technology can enhance information technology and prevent data leakage and unauthorised changes. It also helps reduce paper trial which in turn results in cost savings.			Third Quarter				
Enhancement of communication with transparent and a fast exchange of information with different parties. Blockchain technology also enables real time tracking on changes, delivery, read and location of the document. All these in turn allows more transparent and faster exchange of information by our customers.			- Official Release				
Further, we plan to deploy blockchain technology to develop smart contract capability, which allows our customers and end users to execute certain contracts automatically with predetermined conditions.							

The costs to be incurred for the R&D of the above pipeline applications will be partially funded by net proceeds of the Listing in the amount of RM1.6 million and the balance to be funded by our Group's internal resources.

### LICENSING AND APPROVALS

As advised by the Malaysia Legal Adviser, our Group's operations are not subject to any specific laws or regulations.

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## BUSINESS

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On 1 January 2019, Bank Negara Malaysia's Policy Document (the "**Guidelines**") on the outsourcing of banking operation became effective. As advised by the Malaysia Legal Adviser, the Guidelines do not set out any requirements to be qualified as an acceptable service provider, however, it sets out areas that the FI are to conduct due diligence on outsourced service providers. As confirmed by our Directors, during the due diligence assessment, FI usually require us to fill in a questionnaire, in order to ascertain whether we comply with the requirements set out by their assessment. It will normally be followed by their site visit/audit/compliance check, as well as verification to the original documents and required process. During the Track Record Period and up to the Latest Practicable Date, we have not been told that we have not fulfilled the due diligence assessments carried out by FI. For details, please refer to the section headed "Regulatory Overview – Laws and Regulations relating to Business Operation" in this prospectus.

With regard to the Guideline, we have implemented the following measures to ensure our ability to perform the outsourced activities:

- (a) we have established risk management and internal controls which govern various IT security controls, data protection and confidentiality and business continuity management. Further information on our Group's internal controls is set out in the section headed "Business – Risk Management and Internal Controls" in this prospectus;
- (b) we do not engage any subcontractors;
- (c) we do not have any conflict of interests with any of our customers; and
- (d) we have engaged external legal advisers to provide legal updates to our Directors, senior management and personnel overseeing our Group's compliance matters on laws and regulations applicable to our outsourcing operations.

During the Track Record Period, we have not been notified by any of our customers which must comply with the Guidelines before they can enter into any outsourcing arrangements that we have failed to meet any of their due diligence requirements.

As advised by the Malaysia Legal Adviser, there are no material changes in the Guidelines and therefore our Directors believe that there will not be any material adverse impact on our Group's operations and financial results.

As confirmed by the Malaysia Legal Adviser, we had complied with all relevant Malaysian laws, rules and regulations in respect of our business operation in all material aspects during the Track Record Period.

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To the best knowledge of our Directors, with exception of fulfilling certain immigration notification requirements by our staff that are required to travel into Singapore, our Group's operations are not subject to any specific laws or regulations for the provision of our services to customers in Singapore.

### QUALITY CONTROL

Our Directors recognize the need for quality control on our software and services and its importance to building a successful business that delivers products and services that meet or exceed our customers' expectation. By providing quality products and services, we expect to generate customer loyalty and generate higher referrals of customers. Our Group has implemented controls and measures as part of the software development lifecycle and as part of its after sales services, which reduce risks of errors occurring during the operations of our software. For details, please refer to the section headed "Business – Research and Development" in this prospectus. During the Track Record Period and up to the Latest Practicable Date, there were no instances where our software was required to be recalled or was subject to material failure. Our Directors confirm that our Group did not have any material disputes with any of our customers during the Track Record Period or experience any material issues relating to our Group's software or services.

### MATERIALS AND CONSUMABLES

Due to the nature of our Group's products and services, we are not required to carry inventory and our printer consumables are booked under the cost of sales. As for operating supplies such as printer consumables, we will typically keep up to three months' stock of printer consumables, i.e., toners, rollers, drum, etc. These items are ordered based on our past month consumption patterns and any new projects.

### COMPETITION

According to the CIC Report, there are 50-100 market players competing in the document management services market in Malaysia as at 31 December 2019 of which there are not more than 30 outsourcing service providers offering outsourced document management services to FI in Malaysia. The top five enterprises, all of which are private enterprises, accounted for approximately 36.1% of the total revenue generated from document management services in Malaysia in 2019. Further, according to the CIC Report, our Group was ranked second with a market share of approximately 11.7% in the document management services market in terms of revenue for the year ended 31 December 2019. The total revenue in the document management services market in Malaysia was approximately RM571.2 million in 2019 and it is expected that the document management services market in Malaysia will continue to grow at a CAGR of approximately 8.2% from 2019 to 2024, reaching approximately RM848.8 million in 2024. The primary market drivers will be from increasing total expenditures on information and communications technology and enterprise application software, increasing number of enterprise establishments, the promotion of paperless offices and work space, tax incentives granted by the

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Malaysian Government to promote the IT industries and streamlining of core operations as a result of increasing labour costs. Our Group has since its establishment in 2000, gradually established its presence in the document management services market in Malaysia and has been able to offer customisation of software products to meet customer's specific needs. Over the years, we have built a stable relationship with banks and insurance companies in Malaysia and have developed our Streamline Suite in-house. We intend to maintain our competitiveness through our strong software development team, software development capabilities and customisable proprietary software, experienced management team and established customer base therefore allowing us to offer customers personalised services that can meet every need of our customers more efficiently.

Please refer to the section headed "Industry Overview" in this prospectus for an analysis of the document management service market.

### EMPLOYEES

Our Group's staff are all based in Malaysia and as at 31 December 2016, 2017 and 2018, our Group employed a total of 134, 151 and 164 employees, respectively. A breakdown of our employees by function and total number of employees as at the Latest Practicable Date is set out below:

	<b>As at the Latest Practicable Date</b>
Management	6
Human resources and administration	4
Finance and accounts	9
Client servicing	25
Compliance	2
Project management office	3
IT	17
Design	3
Maintenance	4
Production and planning	106
<b>Total</b>	<b>179</b>

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We remunerate our employees with basic wages, bonuses and other staff benefits. We offer our staff on the job training and encourage staff development by providing financial subsidies to selected high potential employees for external training/courses. We recruit our employees from various sources which include the open market, online job postings, advertisements, company website, walk-ins etc. During the Track Record Period, we had not engaged any agents to assist in recruiting staff, however, as explained in detail below, we have engaged an Independent Third Party to outsource certain workers to our Group.

At the moment, training sessions are conducted by our own internal trainers. Some of the trainings given include Information Security Awareness, Safety Awareness in the Workplace and Fire Drill. All new staff are required to undergo staff orientation which covers introduction of the company and house rules. Staff's performance is closely monitored during the probation period before given confirmation. There will be an appraisal conducted at the end of the probation period.

### **Foreign Workers**

During the Track Record Period and up to the Latest Practicable Date we hired four foreign workers, all of whom as at the Latest Practicable Date have been issued valid entry and employment visas by the Immigration Department of Malaysia.

In addition to our full time staff, we also engaged an Independent Third Party to outsource certain foreign workers to our Group to carry out manual work, such as insertion of documents into envelopes, labelling envelopes, binding, scanning and data entry. As at the Latest Practicable Date, a total of 9 outsourced workers have been provided to our Group. As advised by Malaysia Legal Advisers, it is the responsibility of the outsourcing companies to comply with all applicable relevant laws and regulations in Malaysia with regard to the engagement of such foreign outsourced workers. As part of our Group's internal control measures regarding hiring of foreign staff, and to ensure our outsourced foreign workers are legally able to work for our Group and remain on our Group's premises, we will request from the outsourcing companies for the copies of the passports and entry visas of those workers for record. The related costs paid to the outsourcing company for providing the outsourced workers for the three years ended 31 December 2018 and the nine months ended 30 September 2019 was approximately RM49,000, RM62,000, RM52,000 and RM64,000, respectively. We also engage some part time staff which provides office cleaning services. The amount paid to part time staff for the three years ended 31 December 2018 and the nine months ended 30 September 2019 was approximately RM5,000, RM4,000, RM4,000 and RM3,000 respectively.

For the three years ended 31 December 2018 and the nine months ended 30 September 2019, our Group's total staff costs (including Directors' remuneration) were approximately RM7.4 million, RM7.5 million, RM8.1 million and RM6.5 million, respectively. As confirmed by our Malaysia Legal Adviser, we have registered all of our staff for social insurance and have made the relevant contributions in accordance with the relevant laws and regulations. During the Track

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Record Period and up to the Latest Practicable Date, we had not experienced any material disputes with, or claims by, any of our employees. None of our staff are members of a labour union.

We have conditionally adopted the Share Option Scheme, which was approved by our Shareholders on 11 March 2020, for our employees, including our Directors and senior management. Please refer to the section headed “Statutory and General Information – F. Share Option Scheme” in Appendix V to this prospectus for more information about the Share Option Scheme.

## INSURANCE

As at the Latest Practicable Date, our Group had purchased various insurances to cover our property, plant and equipment. Further, in addition to providing social insurance for our employees as required by the Malaysia social security laws, including insurance for retirement, retrenchment, personal accident insurance, sickness, and maternity insurance, we also provide hospitalisation medical insurance to our employees. We also purchased insurance to cover our Directors’ and officers’ management liability for small and medium enterprises, public liability insurance and burglary. These insurances have been renewed as at the Latest Practicable Date.

Our Directors believe that, and our industry consultant concurs, the insurance coverage for our operation, including, among others, data and physical security, was adequate, sufficient and was in line with industry practice as at the Latest Practicable Date. However, the risks related to our business and operations may not be fully covered by insurance. Please refer to the section headed “Risk factors – Risks relating to our business – Our insurance coverage may not be sufficient to cover all risks to our business operations” in this prospectus for more details. For the three years ended 31 December 2018 and the nine months ended 30 September 2019, we incurred approximately RM78,000, RM114,000, RM138,000 and RM32,000, respectively, as insurance expenses.

During the Track Record Period and up to the Latest Practicable Date, we had not made, neither had we been the subject of, any insurance claims which are of a material nature to our Group. We do not maintain product liability insurance coverage with respect to our software as it is not compulsory in Malaysia and, to the best of our Directors’ knowledge, it is not contrary to market practice in Malaysia. As such, we rely on our stringent quality control to limit potential software liability. During the Track Record Period, we had not experienced any material product liability claims in relation to our software since our establishment.



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### INTELLECTUAL PROPERTY RIGHTS

Our software is sold under our “Streamline Suite” trademark. In addition, we were the owner of four domain names which are material to our business as at the Latest Practicable Date. Details of our intellectual property rights are set out in the section headed “Statutory and General Information – C. Further information about our business – 2. Our material intellectual property rights” in Appendix V to this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we were not subject to, nor were we party to, any intellectual property rights infringement claims or litigations, and we had complied with all applicable intellectual property laws and regulations in all material respects. Our Directors confirm that they were not aware of any incidents of intellectual property rights infringement, or restrictions with respect to our uses of intellectual property rights which would have a material adverse effect on our operations.

### PROPERTIES

As at the Latest Practicable Date, our Group owned the following properties in Malaysia with an aggregate GFA of approximately 6,099 sq.m., which are used for our office, production facilities, warehouse and production and recovery site.

Address and description of location	Use of property	Approximate GFA (sq.m.)	Restrictions on use	Tenure
No. 1, Persiaran Sungai Buloh, Taman Industri Sungai Buloh, 47810 Sungai Buloh, Selangor Darul Ehsan, Malaysia	Office, production facilities, warehouse	4,846	Industrial	99 years expiring on 24 March 2091
No. 12D, Pusat Teknologi Sunsuria, Jalan Teknologi, Taman Sains Selangor, Kota Damansara, PJU 5 Petaling Jaya 47810, Selangor Darul Ehsan, Malaysia	Production & Recovery site	1,253	Industrial	99 years expiring on 4 January 2110

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As at the Latest Practicable Date, our Group leased the following properties in Malaysia.

Address and description of location	Use of property	Approximate GFA	Restrictions on use	Lease period
Unit 2A-D-22-G, Star Avenue Fasa 2, Seksyen U5, 40150 Shah Alam Selangor, Malaysia <i>(Note 1)</i>	Legal documents fulfilment centre <i>(Note 2)</i>	6,374 sq.ft.	Administrative	17 September 2018 to 31 December 2020
No.7-4-9, Block 7, Gugusan Cempaka, Jalan Cecawi PSB 6/19, Seksyen 6, Kota Damansara 47810, Petaling Jaya, Malaysia	Staff housing	56 sq.m.	Residential	16 February 2020 to 15 February 2021 (renewable for one year)
No. 18, Tingkat 5, Block 7, Gugusan Cempaka, Jalan Cecawi PSB 6/19, Seksyen 6, Kota Damansara 47810, Petaling Jaya, Malaysia	Staff housing	56 sq.m.	Residential	1 December 2019 to 30 November 2020 (renewable for one year)

*Note 1:* This property is leased to us by Mr. W Ling and Mr. F Ling pursuant to a tenancy agreement dated 18 February 2019. The aggregate amount payable by our Group is expected to be RM84,000 per annum for each of FY2019 and FY2020.

*Note 2:* Our document management services provided to FI include printing and management of various types of our customers' documents, such as demand letters which need to be sent to individuals. Since these letters are digitally archived for our FI customers, their appointed solicitors need to attend our centre daily in order to confirm and execute these letters. Our legal document fulfilment center is used to store paper and materials required for the printing of the legal documents and accommodate approximately 19 law firms who would attend our office daily for the execution of these documents.

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As at the Latest Practicable Date, all of the properties that we own are for our Group's own use and for non-property activities as defined under Rule 5.01(2) of the Listing Rules. According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

### HEALTH AND WORK SAFETY MATTERS

Our Directors believe that the document management service markets in which we operate do not involve substantial risks relating to health and work safety matters. During the Track Record Period and up to the Latest Practicable Date, our Group was in compliance with all health and work safety laws and regulations applicable to us in all material respects, and we were not subject to any fines or other penalties due to non-compliance with health and work safety regulations.

#### Hygienic working environment

In view of the outbreak of coronavirus (COVID-19) in Malaysia, our Group had updated its business contingency plan ("BCP") for coronavirus (COVID-19) outbreak in February 2020. As part of our Group BCP, our Group sets out measures to ensure safety to staff, safety within our Group's premises and business continuity in the event of disaster caused by factors beyond our Group's control. These measures include, *inter alia*, monitoring of staff, ensuring good personal hygiene practices are adopted by our staff, temperature screening, limitation of social contact within and outside of our workspace and cleaning of office premises. Our Group has also taken measures to have sufficient stock for personal protective equipment, hand sanitizer and disinfectant products. As at the Latest Practicable Date, none of our Group's staff have travelled to China in the last two months and all staff have confirmed that they have/had no signs or symptoms of being infected with the coronavirus and has not been in contact with any person(s) that have been confirmed infected with the coronavirus.

We have reminded all staff that they are required to familiarise themselves with requirements of our BCP and ensure that all the workers under their supervision fully comply with the requirements. We will provide training to our workers on the proper use of the personal protective equipment (if applicable) and supervisors will check whether such equipment are functional and clean and workers are using them correctly.

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With regard to our lease of racks at the third-party data centre, the third-party data centre provider has confirmed that their day-to-day operations have not been materially affected by the outbreak of the coronavirus (COVID-19), there is no difficulty in carrying out day-to-day operations going forward and they have adopted measures to curb and manage the coronavirus outbreak such as temperature screening and regular cleaning and such measures are still effective.

### ENVIRONMENTAL AND SOCIAL GOVERNANCE MATTERS

As advised by the Malaysia Legal Adviser, our Group is not subject to any specific environmental laws and regulations set by the Malaysian Government with respect to our Group operations. Further, our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had not been subject to any breach of relevant environmental laws and regulations in Malaysia.

Our Directors are of the opinion that the Group's operations do not have any material adverse impact on the environment, however, our Group, as an outsourced service provider, is required to use a substantial amount of paper for the printing of documents such as leaflets, letters, envelopes and documentation for our customers, which are sent to clients of our customers for, among other things, marketing purposes and record keeping. As part of our Group's commitment to environmental sustainability, our Group strives to market our digital solutions to customers and adopt other sustainable printing options such as using of recycled paper instead of virgin paper, use of energy efficient equipment and double-sided printing. On the other hand, our Directors believe that our Group's software, if accepted and implemented by customers, will have a result in the reduction in the use of paper given that we enable many of the outsourced services to be digitised.

Whilst our Group does not directly produce pollutants that directly affect the environment, we have implemented internal policies to reduce our Group's carbon footprint such as reducing the energy consumption through:

- a. Installing energy efficient lighting and ensuring lights are switched off when out of use either manually or through automatic sensors;
- b. Switching off equipment or automatic power shutdown systems; and
- c. Air cooling (actions include: regular maintenance of air cooling technologies and optimal timing controls).

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### LEGAL COMPLIANCE AND PROCEEDINGS

Our Directors confirmed that during the Track Record Period and as at the Latest Practicable Date, there were no litigation, arbitration, administrative proceedings or claim of material importance pending or threatened by or against our Group or any of our Directors, that would cause an adverse impact on our results of performance or financial conditions.

Save for the information error incidents disclosed in the section headed “Business – Customers – Service incidents” in this document, during the Track Record Period and up to the Latest Practicable Date, there have not been any material non-compliance by our Group under Malaysian laws.

### RISK MANAGEMENT AND INTERNAL CONTROL

#### Review by independent internal control consultant

In preparation for the Listing, we engaged an independent internal control consultant on 11 April 2018 to perform an assessment on the effectiveness of our Group’s internal controls and identify deficiencies in our internal control system and to provide recommendations on enhanced internal control measures to be adopted by us to prevent future violations and ensure on-going compliance with applicable laws and regulations. The work scope of our internal control consultant covers reviewing and assessing the following aspects of our operations:

- Corporate governance practice;
- Sales, accounts receivable and collection;
- Procurement, accounts payable and payment;
- Inventory management, including logistics;
- Human resources and payroll;
  - Maintenance, storage and protection of customer data
- Cash and treasury management;
- Financial reporting and disclosure control; and
- Information technology general control.
  - Maintenance, storage and protection of customer data

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We have established internal control systems to manage risks associated with our business operation and assigned the authorities limit for each of the staff over the accounting system. Our staff are not allowed to take any actions which exceed his/her authority assigned. Our assignment of authorisation is a procedure to prevent collusion in our Group. Our Board oversees and manages the overall risks associated with our operations and segregation of duties of authorisation.

Based on the internal control review by the internal control consultant, our Directors are of the view that the internal control measures are adequate and sufficient and could effectively ensure a proper internal control system to prevent the collusion. We have adopted internal control measures for the purpose of segregation of duties for our Group and have enhanced our internal control measures as follows:

- We will engage an independent control consultant to perform annual review on segregation of duties for our Group after the Listing; and
- The audit committee of our Company will be responsible for the internal control system of our Group and will review the effectiveness of our internal control system. The audit committee consists of three members, namely, Mr. Lee Yan Kit, Ms. Eugenia Yang and Mr. Wong Son Heng, all of whom are Independent Non-Executive Directors. Mr. Wong Son Heng is the chairman of the audit committee. For details of the qualifications of the members of our audit committee, please see the section headed “Directors and Senior Management” in this prospectus.

## RISK MANAGEMENT

We are exposed to various risks in the course of our business operations. Further information on the risks is set out in the section headed “Risk Factors” in this prospectus.

Due to the nature of our operations, we are required by our customers to implement certain risk management control systems covering certain risk areas relating to our Group’s business.

We have adopted and implemented comprehensive risk management policies for various major aspects of our business operations such as physical security, information system, business continuity and human resources.

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### ***Physical Security***

Our Group has implemented physical security at all its operational locations to include i) limited entry points; ii) security guarded premises; iii) surveillance cameras monitoring and iv) limited visitor access areas.

### ***Information System Risk Management***

Maintenance, storage and protection of customer data as well as the protection of restricted data are important to help protect the interests and confidentiality of our Group and our customers. During the Track Record Period and as at the Latest Practicable Date, we have implemented various internal controls and procedures with the objective to preserve confidentiality, integrity, availability of systems and information used by our Group.

Confidentiality involves the protection of access from unauthorised entities. Integrity ensures the modification of access is handled in a specified and authorised manner. Availability is a state of the system in which authorised users have continuous access to the assets. Further, as the threats of cyber attacks are evolving in nature, the Group periodically evaluates the adequacy of cyber security controls with regard to emerging cyber threats with periodic evaluations and monitoring of cyber security controls; to this extent we have invested in and established the following:

#### ***Privacy, Confidentiality and Security***

- (a) all of our data centres are managed with physical security 24/7 with biometric scanners and other high technology utilities associated with data centres;
- (b) databases are kept separate and dedicated to prevent data corruption and overlap;
- (c) application level security is established so that data transmission is encrypted, and security penetration tests and vulnerability tests are regularly conducted; password policy is developed to protect any unauthorized access in any system or computer;
- (d) anti-virus and anti-spam software are installed to protect against viruses, spyware and other malicious agents;
- (e) customer data purging is conducted within 5 days of completion of handling;
- (f) all data are purged using Pretty Good Privacy Shredder application software;
- (g) paper media is shredded before disposal;
- (h) hard disks are reformatted and with degaussers before disposal;

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- (i) all access rights are approved in writing by the appropriate management;
- (j) file transfer protocol server and print production system USB ports and removable media are all disabled;
- (k) file transfer protocol server and print production system have no outside connectivity;
- (l) Data Protection and Privacy Policy is established and set out the requirement of nature of personal data could be obtained and to the data collected can only be used for the services to be provided on as-needed basis; and
- (m) Non-Disclosure Agreement is required to be signed by every staff to obtain their consent that confidential information is only used for performance of their duty. The aforesaid Non-Disclosure Agreement expires 5 years after the cessation of the employment.

### *Cyber Security Control*

- (n) intrusion prevention system has been installed to monitor network or systems for malicious activity or policy violations; Firewall policy is developed to restrict network connectivity;
- (o) intrusion detection system has been installed which examines network traffic flows to detect and prevent vulnerability or potentially access to all the rights and permissions to the compromised application;
- (p) distributed denial of service where we monitor traffic of our web application, and to look for abnormalities, including unexplained traffic spikes and visits from suspicious IP addresses and geolocations. We use third-party DDoS testing (i.e. penetration testing) to simulate an attack against our IT infrastructure so as to be prepared for attacks; and
- (q) all external connections to our Group's network are through firewall which is reviewed every 6 months.

### *Employee Training and Awareness*

- (r) IT security awareness training is provided to the new employees right after employment and existing employees every year, including IT security awareness, safe email practice, protecting sensitive information, password policy, best computing practices, clean and clear screen policy, information handling and secure disposal of information, to ensure the IT security awareness policies are circulated to every employee. In addition, an assessment is conducted after the training session to reinforce the knowledge.



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### *Reporting mechanism*

- (s) Our Group has set out the reporting mechanism for incidents of breach of data protection policy and data leakage (“data incidents”);
- (t) Senior management will investigate the data incidents with assistance of relevant department manager when it occurs; and
- (u) Our senior management documents the investigation result and rectification measures in an “Incident Report” and a “Show Cause Letter” document the incidents and rectification and report it to the relevant customer.

### *Risk management*

Risk management process includes assessment, mitigation and evaluation of our implemented processes, controls and monitoring and enforcing security policies at regular intervals.

Further, as part of our Group’s policy to protect our information systems and information assets, we have implemented a strict policy that all personal electronic devices are not permitted within the production and warehouse area, computer rooms and data centers and all devices must be kept in the designated locker before entering any secured zones.

### *Adherence to our Group’s policies*

With regard to ensuring adherence to our Group’s customer data protection policy, we have implemented the following measures:

- background checks are conducted on new employees for past record of criminality, civil litigation, conflict of interest, credit defaults, bankruptcy, etc. by a third party service provider before hiring;
- employees are required to sign service agreements and fidelity guarantee service agreement to ensure the employee understands the professional behavior and responsibilities of the employee;
- non-disclosure agreements are signed by employees to obtain the guarantee that using the confidential information only in the course of performance of the employee’s duty in the course of the employment. The non-disclosure agreement expires five years after the cessation of the employment;
- employees are required to sign an acceptance use policy and obtaining acknowledgement of the policy to ensure the employee understands the unacceptable use of assets, for example, personal devices, mobile and teleworking devices; and

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- IT security awareness training is provided to the new employees right after employment and existing employees every year, including IT security awareness, safe email practice, protecting sensitive information, password policy, best computing practices, clean and clear screen policy, information handling and secure disposal of information, to ensure the IT security awareness policies are circulated to every employee. In addition, an assessment is conducted after the training session to reinforce the knowledge.

The internal control consultant has reviewed the internal controls implemented by our Group based on the internationally accepted criteria established by the Committee of Sponsoring Organisation of the Treadway Commission for enterprise risk management, internal control and fraud detection, and is of the view, and the Sponsor concurs, that our Group's internal control measures over the customer data protection are adequate, sufficient and effective.

Further, to the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, there have been no reported incidents of misuse or leakage of any customers or end-customer data or has our Group received any complaints from our customers regarding misuse or leakage of end-customer data.

### ***Business continuity management/Disaster Recovery Plan***

As required by many of our customers, we are also required to have in place a business continuity plan which ensures uninterrupted and continuous service during the term of service agreement. We are required to develop and test our own disaster recovery and contingency plan and the results of such testing are, upon request from our customers, required to be provided to the customers. For those customers that require business continuity plans to be implemented, we are also required to notify our customers if there are any changes to our disaster recovery and contingency plans.

As at the Latest Practicable Date, our disaster and recovery tests and plans were prepared by one of our production and planning staff and approved by Mr. F Ling.

During the Track Record Period and up to the Latest Practicable Date, we have not had any incidents of disasters such that we had to implement our disaster recovery and contingency plan.

### ***Human Resources Risk Management***

We have established internal protocol such that all new employees undergo background checks, IT awareness training and education on our Group's formal IT policies. Further, all employees are required to sign a confidentiality agreement which outlines their responsibility in preventing data leakage.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OVERVIEW

Mr. F Ling and Mr. W Ling have directly controlled our operating subsidiaries, Compugraphic Media and Coeus Systems, since their respective incorporation. Pursuant to the Concert Party Deed, Mr. F Ling and Mr. W Ling have confirmed that they had historically been parties acting in concert and will continue to be parties acting in concert until such arrangement is terminated in writing in accordance with the terms and conditions therein. They will together be entitled to exercise and control 75% of our entire issued share capital immediately upon completion of the Share Offer (but without taking into account any Shares which may be allotted and issued pursuant to the exercise of Over-allotment Option and any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme). For details, please refer to the paragraph headed “History, Reorganisation and Corporate Structure – Concert Party Deed” in this prospectus.

Flash Dragon is held as to 100% by Mr. F Ling and Jupiter Rain is held as to 100% by Mr. W Ling and therefore, each of Flash Dragon, Jupiter Rain, Mr. F Ling and Mr. W Ling will be regarded as the Controlling Shareholders of our Company under the Listing Rules.

Each of our Controlling Shareholders has confirmed that he/it does not have an interest in a business, apart from our business, which competes or is likely to complete, either directly or indirectly, with our business.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that our Group can function, operate and carry on our business, and is financially and operationally, independent of our Controlling Shareholders and their close associates based on the following reasons:

#### **1. No competition and clear delineation of business**

Our Controlling Shareholders and Directors, including our Independent Non-Executive Directors, confirm that, none of our Controlling Shareholders, our Directors or any of their respective close associates have interests in any businesses other than our business which compete, or are likely to compete, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### **2. Related-party transactions between our Group and entities controlled by our Controlling Shareholders**

During the Track Record Period, our Controlling Shareholders and certain entities controlled by our Controlling Shareholders and their close associates entered into related party transactions with our Group in the ordinary course of our business and on normal commercial terms. Such related party transactions are disclosed in Note 30 to “Accountants’ Report” in Appendix I to this prospectus. Such transactions, if continued after the Listing, will constitute continuing connected transactions of our Company under the Listing Rules. Our Directors confirm that save as disclosed in the section headed “Continuing Connected Transactions” in this prospectus, all related party transactions with our Controlling Shareholders and their close associates will be discontinued upon Listing.

### **3. Financial independence**

Our Directors are of the view that our Group will be financially independent of our Controlling Shareholders and any of their close associates upon Listing. Upon Listing, all loans, advances and balances due to and from our Controlling Shareholders and their close associates (e.g., the shareholder loan) are expected to be fully settled and that all share pledges and guarantees provided by our Controlling Shareholders and their close associates on our Group’s borrowing shall be replaced by guarantee provided by the Company in accordance with the terms of the relevant agreements. In addition, we have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third-party financing. Our Directors are satisfied that we are capable of conducting our business independently of any of our Controlling Shareholders (including their close associates) after our Company is listed on the Stock Exchange.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### CORPORATE GOVERNANCE MEASURES

Our Company will further adopt the following measures to manage the conflict of interests arising from the possible competing business of our Controlling Shareholders and to safeguard the interests of our independent Shareholders:

- (i) in preparation for the Listing, our Company has amended our Articles to comply with the Listing Rules. In particular, our Articles provide that, except for certain exceptions permitted under the Listing Rules or the Stock Exchange, a Director shall not vote on any Board resolution approving any contract in relation to which he has a material interest, nor shall such Director be counted in the quorum present at that meeting. Furthermore, a Director who holds directorship and/or senior management positions in our Controlling Shareholders or any of their close associates (other than our Company or any member of our Group) shall not vote on any Board resolution regarding any transactions proposed to be entered into between any member of our Group and our Controlling Shareholders or any of their close associates (other than our Company or any member of our Group), nor shall such Director be counted in the quorum present at such meeting;
- (ii) we have appointed Grand Moore Capital Limited as our compliance adviser, which will provide advice and guidance to us with respect to compliance with the applicable laws and the Listing Rules, including but not limited to various requirements relating to Directors' duties and internal controls;
- (iii) our Independent Non-Executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;
- (iv) our Controlling Shareholders have undertaken to provide all information necessary for the annual review by our Independent Non-Executive Directors and the enforcement of the Deed of Non-Competition;
- (v) we will disclose decisions on matters reviewed by our Independent Non-Executive Directors relating to compliance and enforcement of the Deed of Non-Competition either through an annual report, or by way of announcement to the public;
- (vi) our Controlling Shareholders will make an annual declaration of compliance with the Deed of Non-Competition in the annual reports of our Company;
- (vii) the management structure of our Group includes our Audit Committee, our Remuneration Committee and our Nomination Committee, the written rules of each of which will require them to be alert to prospective conflict of interests and to formulate their proposals accordingly;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (viii) pursuant to the Corporate Governance Code set out in Appendix 14 of the Listing Rules, our Directors, including our Independent Non-Executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's costs;
- (ix) our Controlling Shareholders undertake to keep us informed and shall procure their close associates to keep us informed, of New Opportunities and to provide all information reasonably required by the Independent Non-Executive Directors to assist them in their consideration of any New Opportunity; and
- (x) our Independent Non-Executive Directors will also review, on an annual basis, the implementation of the Deed of Non-competition and any decisions in relation to New Opportunities referred to us, and state their basis and reasons in our Company's annual reports.

In the event that our Company decides not to proceed with any particular projects or New Opportunities and that our Controlling Shareholders decides to proceed with such a project or New Opportunity, we will announce such decision by way of an announcement setting out therein the basis for us not taking the project or the New Opportunity.

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## CONTINUING CONNECTED TRANSACTIONS

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We have entered into the following transactions with our connected persons which will continue after the Listing, thereby constituting continuing connected transactions of our Company under the Listing Rules.

### CONNECTED PERSONS

#### *Compuforms*

Compuforms is held as to 35% by Mr. Ling Siew Aun, father of Mr. F Ling, Mr. W Ling and Mr. S Ling, 23% by Mr. S Ling, and 21% by each of Mr. F Ling and Mr. W Ling, respectively. Accordingly, Compuforms is a company wholly-owned by Mr. F Wing, Mr. W Ling and Mr. S Ling together with Mr. Ling Siew Aun, their family member and is an associate of our Controlling Shareholders, our Executive Directors and our non-executive Director, and therefore a connected person of our Company under the Listing Rules.

### EXEMPT CONTINUING CONNECTED TRANSACTIONS

#### **Supplier framework agreement**

On 11 March 2020, our Company entered into a supplier framework agreement (the “**Supplier Framework Agreement**”) with Compuforms, pursuant to which our Group may procure printing materials including but not limited to paper, letterhead portrait and continuous stationery (the “**Printing Materials**”) from Compuforms after the Listing. The procurement price of the Printing Materials from Compuforms to our Group will be determined on an arm’s length basis through competitive tendering and will be comparable to the prevailing market rates and which shall not be less favourable than those terms offered by Compuforms, to Independent Third Parties.

The historical transaction amounts for the procurement of the Printing Materials by the Group from Compuforms for the year ended 31 December 2016, 31 December 2017 and 31 December 2018 and the nine months ended 30 September 2019 were approximately RM2,463,000, RM2,276,000, RM1,394,000 and RM973,000, respectively, which accounted for approximately 4.8%, 4.5%, 3.5% and 3.0%, respectively, of our Group’s cost of sales for the corresponding years. Our Directors are of the view that such transactions were conducted on an arm’s length basis.

It is expected that the amount of the value of the procurement of the Printing Materials from Compuforms under the Supplier Framework Agreement for the three years ending 31 December 2022 are approximately RM1,200,000, RM1,200,000 and RM1,200,000 respectively. The proposed annual caps are determined based on (i) digitalization trend in the document management service market in Malaysia leading to the decrease in the consumption of Printing Materials, (ii) the prevailing purchase price and expected increase in purchase price for such Printing Materials, and (iii) the historical percentage of our Group’s Printing Materials procured from Compuforms.

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## CONTINUING CONNECTED TRANSACTIONS

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The term of the Supplier Framework Agreement shall commence from the Listing Date to 31 December 2022, and shall be automatically renewed for successive periods of three years upon expiry subject to compliance with the relevant requirements of the Listing Rules, provided that it may be terminated by either party at any time by giving three months' notice to the other party. The procurement is on normal commercial terms and in the ordinary and usual course of business of our Group.

As each of the applicable ratios (as defined in the Listing Rules) in respect of the Supplier Framework Agreement is less than 5% and the annual cap is less than HK\$3,000,000, the transaction contemplated thereunder constitutes a de minimis transaction and is exempted from reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules. In the event that we renew the Supplier Framework Agreement, we will ensure that we comply with the applicable provision under the Listing Rules.

### ***Directors' View***

Our Directors (including our Independent Non-Executive Directors) have confirmed that the terms of the Supplier Framework Agreement was entered into, and conducted on normal commercial terms or better, are no less favourable to our Group than those available to Independent Third Parties, and are fair and reasonable and in the interests of our Company and Shareholders as a whole.



## DIRECTORS AND SENIOR MANAGEMENT

### GENERAL

#### Directors

The table below presents certain information in respect of the members of our Board:

Name	Age	Current position/title in our Group	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors or senior management
<i>Executive Directors</i>						
Mr. Ling Sheng Hwang	55	Chairman of the Board, chief executive officer and Executive Director	10 February 2000	13 June 2018	Overseeing and managing corporate strategic planning and business development of our Group	Brother of Mr. Ling Sheng Chung, our Executive Director and brother of Mr. Ling Sheng Shyan, our non-executive Director
Mr. Ling Sheng Chung	50	Executive Director and chief technical officer	10 February 2000	13 June 2018	Overseeing and managing information technology and software development of our Group	Brother of Mr. Ling Sheng Hwang, our Executive Director and brother of Mr. Ling Sheng Shyan, our non-executive Director
<i>Non-executive Director</i>						
Mr. Ling Sheng Shyan	58	Non-executive Director	15 February 2019	15 February 2019	Advising on the corporate and business strategies of our Group	Brother of Mr. Ling Sheng Hwang and Mr. Ling Sheng Chung, our Executive Directors
<i>Independent Non-Executive Directors</i>						
Mr. Lee Yan Kit (李殷傑)	49	Independent Non-Executive Director	11 March 2020	11 March 2020	Providing independent judgment on issues of strategy, policy, performance, accountability, key appointments and standard of conduct of our Group	Nil
Ms. Eugenia Yang (楊元晶)	43	Independent Non-Executive Director	11 March 2020	11 March 2020	Providing independent judgment on issues of strategy, policy, performance, accountability, key appointments and standard of conduct of our Group	Nil
Mr. Wong Son Heng	64	Independent Non-Executive Director	11 March 2020	11 March 2020	Providing independent judgment on issues of strategy, policy, performance, accountability, key appointments and standard of conduct of our Group	Nil

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## DIRECTORS AND SENIOR MANAGEMENT

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### Senior Management

The table below presents certain information in respect of members of our senior management:

Name	Age	Current position/title in our Group	Date of joining our Group	Roles and responsibilities	Relationship with other Directors or senior management
Mr. Ling Sheng Hwang	55	Chairman of the Board, chief executive officer and Executive Director	10 February 2000	Managing implementation of corporate strategic plans and business development	Brother of Mr. Ling Sheng Chung, our Executive Director and brother of Mr. Ling Sheng Shyan, our non-executive Director
Mr. Ling Sheng Chung	50	Executive Director and chief technical officer	10 February 2000	Managing information technology and software development	Brother of Mr. Ling Sheng Hwang, our Executive Director and brother of Mr. Ling Sheng Shyan, our non-executive Director
Mr. Lam Yin Yam (林彥欽)	34	Group financial controller	30 November 2018	Overseeing financial reporting and budgeting	Nil

### BOARD OF DIRECTORS

Our Board currently consists of six Directors, comprising two Executive Directors, one non-executive Director and three Independent Non-Executive Directors. Our Board of Directors is the primary decision-making body of our Company, setting fundamental business strategies and policies for the management and operation of our business and monitoring their implementation.

#### Executive Directors

##### ***Mr. Ling Sheng Hwang***

Mr. F Ling, aged 55, was appointed as a Director on 13 June 2018 and re-designated as an Executive Director and appointed as the chairman of the Board and chief executive officer with effect from 15 February 2019. Mr. F Ling co-founded our Group with Mr. W Ling in February 2000. He is responsible for overseeing and managing corporate strategic planning and business development of our Group. He is also the director of all of the companies of our Group. Prior to co-founding our Group, Mr. F Ling was a director of Roda Sakti Sdn Bhd (principally engaged in logistic services) from May 1996 to March 2010.

Mr. F Ling graduated from University of Kansas, Kansas of the United States with a Bachelor of Science in Electrical Engineering and a Master of Business Administration in May 1987 and in May 1989, respectively.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. F Ling is the brother of Mr. W Ling, our Executive Director and the brother of Mr. S Ling, our non-executive Director.

Mr. F Ling was a director of Utusan Kiara Sdn Bhd (principally engaged in transportation business) which was incorporated in Malaysia and dissolved by striking off on 17 March 2017 due to cessation of business.

Mr. F Ling confirmed that (i) the company above had ceased operations and was solvent at the time of dissolution; and (ii) there is no wrongful act on his part leading to the dissolution of such company and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of such company.

### ***Mr. Ling Sheng Chung***

Mr. W Ling, aged 50, was appointed as a Director on 13 June 2018 and re-designated as an Executive Director and appointed as the chief technical officer with effect from 15 February 2019. Mr. W Ling co-founded our Group with Mr. F Ling in February 2000. He is responsible for overseeing and managing information technology and software development of our Group. He is also the director of all of the companies of our Group.

From 1993 to 1996, Mr. W Ling was an analysis engineer of CAE TECH, INC engaged in Computer Aided Engineering. From 1992 to 1993, Mr. W Ling was an engineer of Engineering Mechanics Research Corporation (principally engaged in the development of computer aided engineering software).

Mr. W Ling obtained a Bachelor of Science in Mechanical Engineering and a Master of Science in Mechanical Engineering from the University of Kansas, Kansas of the United States in May 1990 and October 1992, respectively.

Mr. W Ling is the brother of Mr. F Ling, our Executive Director and the brother of Mr. S Ling, our non-executive Director.

### **Non-executive Director**

### ***Mr. Ling Sheng Shyan***

Mr. S Ling, aged 58, was appointed as a non-executive Director with effect from 15 February 2019. He is responsible for advising on the corporate and business strategies of our Group.

Mr. S Ling has been the managing director and chief executive officer of Compuforms (principally engaged in designing and printing Computer forms) since 1985. He had been the executive director of Rafreq Maschinenbau Sdn. Bhd. (principally engaged in machinery design & fabrication) for nine years until July 2018. He has also been the director of Rejoice Home Sdn. Bhd. (principally engaged in investment holding) and Rejoice Homes Ltd (principally engaged in buying and selling of own real estate) since December 2005 and February 2017, respectively.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. S Ling obtained the Secondary School Honour Graduation Diploma from High Park School and the Ministry of Education, Ontario in Toronto, Canada in August 1979.

Mr. S Ling is the brother of Mr. F Ling and Mr. W Ling, our Executive Directors.

### **Independent Non-Executive Directors**

#### ***Mr. Lee Yan Kit (李殷傑)***

Mr. Lee Yan Kit, aged 49, was appointed as an Independent Non-Executive Director on 11 March 2020. Mr. Lee is responsible for providing independent judgment on issues of strategy, policy, performance, accountability, key appointments and standard of conduct of our Group.

Mr. Lee has been a director and the chief executive officer of National Arts Travel Limited (principally engaged in providing travel related products), which is a subsidiary of National Arts Entertainment and Culture Group Limited (“NA Group”) (HKEx: 8228), a company listed on GEM operated by the Stock Exchange, since February 2019 and June 2018, respectively. Mr. Lee has further been appointed as the director of investor relationship and marketing of NA Group, chief executive officer of National Arts Production & Promotions Limited (a subsidiary of NA Group and principally engaged in provision of promotional performance services in Hong Kong) and a director of artiste management of National Arts Entertainment Limited (a subsidiary of NA Group and principally engaged in provision of management services to artistes in Hong Kong) since February 2020. Mr. Lee was a volunteer director of Sowers Action (Non-Governmental Organization) from October 2016 to October 2018, and has been the vice chairman of its board of directors since October 2018 and the volunteer honorary advisor of Sowers Action Orchestra since February 2019. Mr. Lee is and has been a founding director of Hong Kong Young Chief Officers’ Association since November 2017 and was appointed as a vice chairman of the organizing committee on the event of the 1st Hong Kong Youth Festival in April 2018 and the president of the external affairs committee for 2018 to 2019 in December 2018.

Mr. Lee has over 20 years of experience in the banking and financial industry. Mr. Lee has been the director of Hoyan Group International Limited (“Hoyan Group”) since September 2016. Within Hoyan Group, he served as the president with respect to the banking, public relations & consulting services of SBG Holdings Limited (principally engaged in the operation of beauty medical centres) between September 2016 and September 2017 and chief marketing officer of HKST Group Holdings Limited (principally engaged in travel services and education consultancy business) between September 2016 and May 2018. From September 2006 to July 2016, Mr. Lee held various positions at Dah Sing Bank Limited (principally engaged in financial services and banking) including team head, regional head, general manager and project manager. He also acted as the senior business financial manager and team manager of Standard Chartered Bank (HK) Limited from June 2004 to September 2006. Between January 2001 and June 2004, he served at DBS Kwong On Bank Limited (currently known as DBS (Hong Kong) Limited), with his last position as a vice president. From April 2000 to January 2001, Mr. Lee worked as an assistant manager of Wing Hang Bank Limited. He was an officer at Sin Hua Bank Ltd., Hong Kong branch (currently known as Bank of China (Hong Kong) Limited) from March 1996 to April 2000.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Lee obtained his Bachelor of Arts from the University of Manitoba in May 1993 in Canada and a certificate of business management from Ryerson Polytechnic University in June 1996 in Canada. Mr. Lee also obtained a Master of Science in financial management from the University of London in the United Kingdom in December 2000 as an external student.

**Ms. Eugenia Yang (楊元晶)**

Ms. Eugenia Yang, aged 43, was appointed as an Independent Non-Executive Director on 11 March 2020. Ms. Yang is responsible for providing independent judgment on issues of strategy, policy, performance, accountability, key appointments and standard of conduct of our Group.

Ms. Yang has been an independent non-executive director of EFT Solutions Holdings Ltd (HKEx: 8062) (principally engaged in the provision of electronic fund transfer at point-of-sale solutions), a company listed on GEM operated by the Stock Exchange, from August 2017 to September 2019. Ms. Yang was an independent non-executive director of Nority International Group Limited (currently known as Wai Chun Bio-Technology Limited and principally engaged in the manufacture and sale of modified starch and other biochemical products) (HKEx: 660), a company listed on the Main Board of the Stock Exchange, from August 2005 to May 2006 and an independent non-executive director of (i) Millennium Pacific Group Holdings Limited (HKEx: 8147) (principally engaged in the research and development, manufacture and sale of consumer electronic products) from June 2014 to July 2017, (ii) China Oil Gangran Energy Group Holdings Limited (formerly known as Fairson Holdings Limited and principally engaged in energy related business) (HKEx: 8132) from August 2013 to June 2018, the shares of these companies are listed on GEM operated by the Stock Exchange.

Ms. Yang has been a practicing barrister-at-law in Hong Kong since June 2005. She has been a member of CPA Australia since September 2003 and a member of the HKICPA since July 2005. She has also been a member of the Institute of Chartered Accountants in England and Wales (“ICAEW”) since May 2016 and a member of the Institute of Certified Public Accountants of Pakistan since May 2017.

Ms. Yang obtained her Bachelor of Commerce, Postgraduate Diploma in Finance and a Master of Commerce from The University of Melbourne, Australia, in March 1998, April 1999 and September 2000 respectively, and a Bachelor of Laws from Monash University, Australia, in March 2003. She also obtained a Postgraduate Certificate in Laws from the City University of Hong Kong in July 2004.

**Mr. Wong Son Heng**

Mr. Wong Son Heng, aged 64, was appointed as an Independent Non-Executive Director on 11 March 2020. Mr. Wong is responsible for providing independent judgement on issues of strategy, policy, performance, accountability, key appointments and standard of conduct of our Group.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Wong has over 34 years of experience in the auditing and accounting industry. Mr. Wong established and has been a partner at his own audit firm, Wong & Partners, since May 1994. From March 2008 to February 2014, and since rejoining the firm in October 2014, Mr. Wong has been a partner at an audit firm, CCH, Wong & Partners. From June 1983 to April 1993, Mr. Wong worked in Hew & Tan (principally engaged in audit and accounting) and his last designation being audit supervisor.

Mr. Wong was an associate of Chartered Association of Accountants in May 1991 and has been a fellow of the Chartered Association of Certified Accountants since May 1996. Mr. Wong has also been a public accountant of the Malaysian Institute of Accountants since October 1991.

### SENIOR MANAGEMENT

Our senior management comprises Mr. F Ling, Mr. W Ling and Mr. Lam Yin Yam. For biographical details of Mr. F Ling and Mr. W Ling, please refer to the paragraph headed “Board of Directors – Executive Directors” in this section, and the following personnel:

#### **Mr. Lam Yin Yam (林彥欽)**

Mr. Lam, aged 34, joined our Group in November 2018 as our group financial controller. He is primarily responsible for overseeing the financial reporting and budgeting for our Group.

Mr. Lam has over 10 years of experience in the accounting and finance industry. Prior to joining our Group, he served as the group financial controller at Flying Electronics Ltd from March 2018 to September 2018. Mr. Lam also served as the finance manager at IBI Group Holdings Limited (HKEx: 1547) (principally engaged in building construction) from March 2016 to March 2018 and group finance manager at Mstar International Trading (HK) Limited, a subsidiary of Morris Holdings Limited (HKEx: 1575) (principally engaged in manufacturing of sofas and sofa covers) from June 2015 to March 2016. From November 2009 to June 2015, Mr. Lam worked in Ernst & Young (principally engaged in auditing) and his last position was manager in the assurance department.

Mr. Lam has been registered as a certified public accountant of the HKICPA since March 2013. Mr. Lam obtained his Bachelor of Business Administration (professional accountancy) from the Chinese University of Hong Kong in December 2009.

### COMPANY SECRETARY

Pursuant to Rule 3.28 and Rule 8.17 of the Listing Rules, the secretary of our Company must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary. The Stock Exchange considers (a) an ordinary member of The Hong Kong Institute of Company Secretaries, (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong) or (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) as acceptable academic or professional qualifications.

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## DIRECTORS AND SENIOR MANAGEMENT

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We have appointed Ms. Chan Lok Yee who satisfies the qualification requirements under Rules 3.28 and 8.17 of the Listing Rules, as our company secretary.

**Ms. CHAN Lok Yee (陳樂而)**

Ms. Chan Lok Yee (陳樂而), ICSA, HKICS, was appointed as our company secretary on 13 November 2018. Ms. Chan has over six years of experience in the provision of a full range of company secretarial and compliance services and has held positions in various corporate secretarial companies in Hong Kong. She has been an assistant manager of corporate services in Vistra Corporate Services (HK) Limited since February 2016, and is currently serving a portfolio of clients, including public listed companies and private companies. From May 2014 to February 2016, she worked at Advent Advisory (HK) Limited as a supervisor under the corporate services department. From June 2012 to April 2014, Ms. Chan was a secretarial assistant at East Asia Sentinel Services Limited.

In October 2011, Ms. Chan awarded her bachelor of arts degree (with a major in English studies for the professions and a minor in translation) from the Hong Kong Polytechnic University. In July 2015, she was admitted to the degree of Master of Science in Professional Accounting and Corporate Governance from the City University of Hong Kong. She was admitted as both an associate member of The Hong Kong Institute of Chartered Secretaries and an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom in September 2015.

### CORPORATE GOVERNANCE

Our Company complies or intends to comply with the Corporate Governance Code set out in Appendix 14 of the Listing Rules with the exception for Code A.2.1, which requires the roles of chairman and chief executive be different individuals.

Under code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. F Ling holds both positions. Mr. F Ling has been primarily responsible for corporate strategic planning and overall business development of our Group since he founded our Group in the 2000s. Taking into account the continuation of management and the implementation of our business strategies, our Directors (including our Independent Non-Executive Directors) consider it is most suitable for Mr. F Ling to hold both the positions of the chief executive officer and chairman of the Board and the existing arrangements are beneficial and in the interests of our Company and our Shareholders as a whole.

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Group will comply with the Corporate Governance Code and the associated Listing Rules.

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## DIRECTORS AND SENIOR MANAGEMENT

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### BOARD COMMITTEES

Our Board delegates certain responsibilities to our audit committee, remuneration committee and nomination committee. In accordance with the Listing Rules, our Articles of Association and the relevant laws and regulations in Hong Kong and the Cayman Islands, we have formed the following committees:

#### **Audit Committee**

We have established an audit committee in compliance with Rule 3.21 of the Listing Rules on 11 March 2020. Our Audit Committee consists of four members, namely Mr. Wong Son Heng (*chairman*), Mr. S Ling, Mr. Lee Yan Kit and Ms. Eugenia Yang. The primary duties of our Audit Committee are to assist our Board in providing an independent view of the effectiveness of our financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by our Board.

#### **Remuneration Committee**

We established our Remuneration Committee in compliance with Rule 3.25 of the Listing Rules on 11 March 2020. Our Remuneration Committee consists of five members, namely Mr. Wong Son Heng (*chairman*), Mr. F Ling, Mr. W Ling, Mr. Lee Yan Kit and Ms. Eugenia Yang. The primary duties of our Remuneration Committee are to evaluate the performance of our Directors and senior management and determine the remuneration package of our Directors and members of our senior management.

#### **Nomination Committee**

We established our Nomination Committee in compliance with the Corporate Governance Code on 11 March 2020. Our Nomination Committee consists of five members, namely Mr. F Ling (*chairman*), Mr. W Ling, Mr. Lee Yan Kit, Ms. Eugenia Yang and Mr. Wong Son Heng. The primary duties of our Nomination Committee are to make recommendations to our Board on the appointment of our Directors and members of our senior management.

### DIRECTOR'S INTEREST

Except as disclosed in this prospectus, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Director, senior management, substantial Shareholder or Controlling Shareholder of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years immediately prior to the date of this prospectus. Except as disclosed in this prospectus, none of and the members of our senior management holds any directorships in listed public companies in the three years prior to the date of this prospectus. As at the Latest Practicable Date, except as disclosed in this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.



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## DIRECTORS AND SENIOR MANAGEMENT

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Further, except as disclosed in this prospectus, there is no other matter with respect to appointment of our Directors that need to be brought to the attention of our Shareholders and there is no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

### DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Our Directors and members of our senior management receive compensation in the form of salaries, allowances, bonuses and other benefits-in-kind, including our contribution to the pension scheme. Our Remuneration Committee determines the salaries of our Directors and members of our senior management based on their qualifications, positions and seniority.

The aggregate amount of remuneration (including salaries, allowances, discretionary bonuses, benefits in kind and pension schemes contributions) paid to our Directors by our Group for each of the financial years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2019 were RM1,382,000, RM1,362,000, RM1,754,000 and RM1,398,000, respectively.

The aggregate amount of remuneration (including salaries, allowances, discretionary bonuses, benefits in kind and pension schemes contributions) paid to our five highest paid individuals (excluding Directors) for each of the financial years ended 31 December 2016, 2017 and 31 December 2018 and the nine months ended 30 September 2019 were RM439,000, RM459,000, RM536,000 and RM632,000, respectively.

It is estimated that an aggregate amount of remuneration equivalent to approximately RM2.0 million will be paid and granted to our Directors by us for the year ending 31 December 2019 under arrangements in force on the date of this prospectus.

Except as disclosed in this prospectus, (i) no remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group; (ii) no compensation was paid to, or receivable by, our Directors or past Directors or the five highest paid individuals during the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group; and (iii) none of our Directors waived any emoluments during the same period.

Our policy concerning the remuneration of our Directors is that the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility, performance and the time devoted to our business.

Except as disclosed in this prospectus, no Director has been paid in cash or shares or otherwise by any person either to induce him to become, or to qualify him as a Director, or otherwise for service rendered by him in connection with the promotion or formation of us.

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## **DIRECTORS AND SENIOR MANAGEMENT**

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### **BOARD DIVERSITY POLICY**

We are committed to promoting the culture of diversity in the Company. We have strived to promote diversity to the extent practicable by taking into consideration a number of factors in our corporate governance structure.

We have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to our board diversity policy, we aim to achieve board diversity by taking into account the factors including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Directors have a balanced mix of knowledge and experience in the areas of business management, software development, banking, finance, law and accounting. They obtained education qualifications in various majors including electrical engineering, mechanical engineering, financial management, law and accounting. We will continue to apply the principle of appointment based on merits with reference to our board diversity policy as a whole.

After Listing, our Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and monitor and report annually in our corporate governance report about the implementation of the board diversity policy.

### **COMPLIANCE ADVISER**

We have appointed Grand Moore Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

- the publication of any announcements, circulars or financial reports under any applicable laws, rules, codes and guidelines;
- where a transaction, which might be discloseable or being a notifiable or connected transaction under Chapter 13, 14 and/or 14A of the Listing Rules, is contemplated including share issues and share repurchases;
- where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us in respect of unusual price movement and trading volume or other issues under Rule 13.10 of the Listing Rules.

The terms of the appointment shall commence on the Listing Date and end on the date of despatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

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## SHARE CAPITAL

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### AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the Share Offer and the Capitalisation Issue:

HK\$

*Authorised share capital as of the date of this prospectus and immediately after the completion of the Share Offer and the Capitalisation Issue*

<u>1,500,000,000</u>	Shares of HK\$0.01 each	<u>15,000,000</u>
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*Shares in issue as of the date of this prospectus*

<u>200</u>	Shares of HK\$0.01 each	<u>2</u>
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*Shares to be issued pursuant to the Share Offer assuming the Over-allotment Option is not exercised*

<u>200,000,000</u>	Shares of HK\$0.01 each	<u>2,000,000</u>
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*Shares to be issued pursuant to the Capitalisation Issue*

<u>599,999,800</u>	Shares of HK\$0.01 each	<u>5,999,998</u>
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## SHARE CAPITAL

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HK\$

*Total issued Shares immediately after the completion of the Share Offer and the Capitalisation Issue assuming the Over-allotment Option is not exercised*

<u>800,000,000</u>	Shares of HK\$0.01 each	<u>8,000,000</u>
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*Shares to be issued pursuant to the Over-allotment Option assuming the Over-allotment Option is exercised in full*

<u>30,000,000</u>	Shares of HK\$0.01 each	<u>300,000</u>
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*Total issued Shares immediately after the completion of the Share Offer and the Capitalisation Issue assuming the Over-allotment Option is exercised in full*

<u>830,000,000</u>	Shares of HK\$0.01 each	<u>8,300,000</u>
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### Assumptions

This table assumes the Share Offer has become unconditional and the issue of Shares pursuant thereto and the Capitalisation Issue are made as described herein. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under Share Option Scheme, or any Shares which may be allotted and issued or repurchased by our Company under the Issuing Mandate and Repurchase Mandate granted to our Board as referred to below or otherwise.

### Ranking

The Offer Shares and the Shares that may be issued pursuant to the exercise of options that may be granted under Share Option Scheme shall rank *pari passu* with all existing Shares in issue on the date of the allotment and issue of such Shares, and in particular will be entitled to all dividends or other distributions declared, made or paid thereafter.

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## SHARE CAPITAL

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### GENERAL MANDATE TO ISSUE SHARES

Our Board has been granted with the Issuing Mandate to allot, issue and deal in an aggregate number of Shares that is no more than the sum of:

- (a) 20% of the total number of Shares issued by our Company immediately upon completion of the Share Offer and the Capitalisation Issue (but prior to the exercise of the Over-allotment Option or any option may be granted under the Share Option Scheme); and
- (b) the aggregate number of Shares repurchased by our Company, if any, under the Repurchase Mandate referred to below.

The aggregate number of Shares which our Directors are authorised to allot and issue under the Issuing Mandate will not be reduced by the allotment and issue of Shares pursuant to (i) a rights issue; or (ii) any specific authority granted by our Shareholders in general meeting(s).

The Issuing Mandate will expire at the earliest of:

- (a) the conclusion of our Company's next annual general meeting unless by ordinary resolution at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which our Company is required by the applicable law or our Articles to hold our next annual general meeting; or
- (c) when varied, revoked or renewed by a resolution of our Shareholders in a general meeting.

For further details of the Issuing Mandate, see "Statutory and General Information – A. Further information about our Company – 5. Resolutions in writing of our Shareholders passed on 11 March 2020" in Appendix V to this prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Our Board has been granted with the Repurchase Mandate to exercise all the powers of our Company to repurchase an aggregate number of Shares that is no more than 10% of the total number of Shares issued by our Company immediately upon completion of the Share Offer and the Capitalisation Issue (but prior to the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme).

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## SHARE CAPITAL

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The Repurchase Mandate only relates to repurchases made on the Stock Exchange, or any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), subject to and in accordance with our Articles, all applicable laws and regulations, and the requirements of the Listing Rules and any other stock exchange on which our securities may be listed, as amended from time to time. Further information required by the Stock Exchange to be included in this Prospectus regarding the repurchase of Shares is set out in the section headed “Statutory and General Information – B. Repurchase of our Shares” in Appendix V to this prospectus.

The Repurchase Mandate will expire at the earliest of:

- (a) the conclusion of our Company’s next annual general meeting unless by ordinary resolution at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which our Company is required by the applicable law or our Articles to hold our next annual general meeting; or
- (c) when varied, revoked or renewed by a resolution of our Shareholders in a general meeting.

### SHARE OPTION SCHEME

On 11 March 2020, we conditionally adopted the Share Option Scheme. Please refer to the section headed “Statutory and General Information – F. Share Option Scheme” in Appendix V to this prospectus for summaries of the principal terms of the Share Option Scheme. As at the Latest Practicable Date, no share option has been granted under the Share Option Scheme.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the Articles. Accordingly, the Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the section headed “Summary of the constitution of the Company and Cayman Islands Company Law” in Appendix IV to this prospectus.

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## SUBSTANTIAL SHAREHOLDERS

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### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Share Offer and without taking into account any Shares which may be issued pursuant to the exercise of option that may be granted under Share Option Scheme or Shares which may be allotted and issued pursuant to the Over-allotment Option, 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 under provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company and therefore will be regarded as substantial shareholders of our Company under the Listing Rules:

Name of interested party	Capacity/Nature of interest	Immediately following the completion of the Share Offer and the Capitalisation issue	
		Number of Shares held <sup>1</sup>	Approximate Percentage
Flash Dragon	Beneficial owner	300,000,000	37.5%
Mr. F Ling	Interest in controlled corporation/ Beneficial owner (Note 2)	300,000,000	37.5%
Ms. Chua Siew Chen	Interest of spouse (Note 3)	300,000,000	37.5%
Jupiter Rain	Beneficial owner	300,000,000	37.5%
Mr. W Ling	Interest in controlled corporation (Note 4)	300,000,000	37.5%
Ms. Seo Chee Teng	Interest of spouse (Note 5)	300,000,000	37.5%

*Notes:*

- (1) All the above Shares are held in long position.
- (2) Flash Dragon, wholly-owned by Mr. F Ling, held 300,000,000 Shares. Mr. F Ling is deemed to be interested in 300,000,000 Shares pursuant to the SFO.
- (3) Ms. Chua Siew Chen, the spouse of Mr. F Ling, is deemed to be interested in the 300,000,000 Shares held by Mr. F Ling, through his controlled corporation, Flash Dragon, pursuant to the SFO.
- (4) Jupiter Rain, wholly-owned by Mr. W Ling, held 300,000,000 Shares. Mr. W Ling is deemed to be interested in the 300,000,000 Shares pursuant to the SFO.

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## SUBSTANTIAL SHAREHOLDERS

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- (5) Ms. Seo Chee Teng, the spouse of Mr. W Ling, is deemed to be interested in the 300,000,000 Shares held by Mr. W Ling, through his controlled corporation, Jupiter Rain, pursuant to the SFO.

Save as disclosed in this prospectus, our Directors are not aware of any persons who will, immediately following completion of the Share Offer (but without taking into account Shares to be issued pursuant to the exercise of any options that may be granted pursuant to the Share Option Scheme or shares which may be allotted and issued pursuant to the Over-allotment Option), have an interest or a short position in the 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, 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 in the general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.



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## FINANCIAL INFORMATION

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*The following discussion and analysis of our financial condition and operating results should be read in conjunction with our consolidated financial information, including the notes thereto, as set out in the Accountants' Report included as Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which may differ in material aspects from generally accepted accounting principles in other jurisdictions.*

*This following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set out under "Risk Factors" and elsewhere in this prospectus.*

### OVERVIEW

Founded in 2000 by two siblings, Mr. F Ling and Mr. W Ling, we are a Malaysian-based outsourced document management services provider and related software applications and enterprise software solutions developer. Our outsourced document management services include (i) electronic document delivery; (ii) document print & mail fulfilment; (iii) MICR Cheque print & mail fulfilment; (iv) medical ID card print & mail fulfilment; and (v) document imaging and scanning services. According to the CIC Report, we were ranked second in terms of revenue generated from the provision of document management service in Malaysia in 2019.

In or around 2005, we commenced developing our proprietary software applications that focused on digital transformation of documents and information and providing outsourced services in electronic document, print document delivery and document management hosting services for Malaysian companies in banking, insurance and retail industries. In addition to using our proprietary software for our outsourced document management services during the Track Record Period, we also provide enterprise software solutions to our customers.

During the Track Record Period, we derived substantially all of our revenue from the provision of (i) outsourced document management services, and (ii) enterprise software solutions.

### BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 13 June 2018. Our Company and its subsidiaries now comprising our Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in this prospectus.

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## FINANCIAL INFORMATION

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Pursuant to the Reorganisation, our Company became the holding company of the subsidiaries now comprising our Group. The companies now comprising our Group were under the common control of Mr. F Ling and Mr. W Ling (collectively the “Controlling Shareholders”) immediately before and after the completion of the reorganisation. Accordingly, the historical financial information has been prepared on a consolidated basis by applying the principles of merger accounting as if the reorganisation had been completed at the beginning of the Track Record Period.

### **BASIS OF PREPARATION**

The historical financial information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretation approved by the the International Accounting Standards Board (“IASB”). All IFRSs effective for the accounting period commencing from 1 January 2019, including IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and amendments to IFRS 15 Clarifications to IFRS 15 *Revenue From Contracts with Customers*, and IFRS 16 *Leases*, together with the relevant transitional provisions, have been early adopted by the Group throughout the Track Record Period and in the period covered by the interim comparative financial information. The historical financial information has been prepared under the historical cost convention.

### **New and Amended Standards Adopted by our Group**

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on 1 January 2019, are consistently applied to our Group for the Track Record Period.

IFRS 15 *Revenue from Contracts with Customers* replaced the previous revenue standards IAS 18 *Revenue* and IAS 11 *Construction Contracts* and related interpretations. The standard is effective for annual reporting periods beginning on or after 1 January 2018 and has been adopted throughout the Track Record Period. We have assessed the effects of adoption of IFRS 15 on our financial statements and we considered the adoption did not have a significant impact on our financial position and results of operations.

### **SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

Our results of operations and financial condition have been and will continue to be affected by a number of factors, most of which may be beyond our control, including those factors set out in the section headed “Risk Factors” in this prospectus and those set out below.

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## FINANCIAL INFORMATION

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### **Concentrated customer base**

We rely on a small number of customers. A significant portion of our revenue was derived from a small number of customers during the Track Record Period. Our five largest customers' revenue contribution for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019 accounted for approximately 57.9%, 57.9%, 51.8% and 45.6% of our total revenue of the same period, respectively. For the same period, our largest customer accounted for approximately 28.5%, 23.9%, 18.5% and 16.2% of our total revenue, respectively. Revenue contributed from our five largest customers by related groups for each of the three years ended 31 December 2018 and the nine months ended 30 September 2019 accounted for approximately 68.2%, 67.7%, 67.2% and 61.4% of our total revenue of the same period, respectively. For the same period, revenue contributed from our largest customer by related group accounted for approximately 30.8%, 26.5%, 21.5% and 18.6% of our total revenue, respectively.

Accordingly, our revenues would be significantly affected by whether these customers continue to use our services, as well as other factors affecting their operations, many of which are beyond our control. Further, most of our customers are in the banking and insurance industries. Although we will continue to endeavour to diversify and expand our customer base, we expect that our present major customers will continue to account for a relatively large percentage of our revenues in the coming years. If our customers' operations are adversely affected by changes in the market, there may be less or no demand for our services and our business and results of operations could be materially and adversely affected.

### **Our ability to recover software development costs**

Our software development capability is key to our business growth and sustainability. Our IT department is responsible for the development of new features and component advancements of our software and for testing and ensuring functionality of our software. For the three years ended 31 December 2018 and the nine months ended 30 September 2019, our staff costs in relation to development of software amounted to approximately RM0.9 million, RM0.9 million, RM1.2 million and RM1.0 million, respectively, representing approximately 1.8%, 1.7%, 3.0% and 3.1% of our cost of sales, respectively. These staff costs are capitalised as intangible assets and amortised to costs of sales over five years. If we are unable to capitalise these costs, the full amount needs to be charged as an expense during the relevant year and would have an adverse affect on our Group's profitability. Further, there is no guarantee that any software development activity would yield meaningful results or breed any revenue-generating products. Technical, operational, distribution or other problems may delay or prevent the introduction of new products or services to the market. Even if new products are developed and launched, there is no guarantee that they will be accepted by the market. The growth of our turnover and profits in the future will depend heavily on the market performance of such new products. In the event that we fail to develop any new products, or our new products do not receive the expected market acceptance, our business prospects and profitability may be adversely affected.

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## FINANCIAL INFORMATION

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### **Economic conditions in Malaysia**

Our Group's primary market is Malaysia. During the Track Record Period, we derived the majority of our revenue in Malaysia. For the three years ended 31 December 2018 and the nine months ended 30 September 2019, revenue derived from Malaysia accounted for approximately 98.5%, 98.8%, 99.6% and 91.6% of our total revenue, respectively. As such, the demand for our services depends on the health of economic conditions in Malaysia and the demand from corporate customers in Malaysia in general. As Malaysia is expected to remain as our Group's core market and place of operation in the foreseeable future, negative developments in the Malaysian economy may have a material adverse effect on our business.

### **CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS**

We have identified certain significant accounting policies that are critical to the preparation of our historical financial information. These significant accounting policies are important for an understanding of our financial position and results of operations and are set forth in Note 4 "Summary of significant accounting policies" of the Accountants' Report in Appendix I to this prospectus.

#### **Applications of IFRS 9 "*Financial Instruments*"**

Our Group has adopted IFRS 9 on a consistent basis throughout the Track Record Period. The adoption of IFRS 9 had no significant impact on our Group's financial position and performance as compared to that of IAS 39.

#### **Applications of IFRS 15 "*Revenue from Contracts with Customers*"**

Our Group has adopted IFRS 15 on a consistent basis throughout the Track Record Period. The adoption of IFRS 15 had no significant impact on our Group's revenue, overall financial position and profits throughout Track Record Period as compared to requirements of IAS 18.

#### **Applications of IFRS 16 "*Leases*"**

Our Group has adopted IFRS 16 on a consistent basis throughout the Track Record Period. The adoption of IFRS 16 had no significant impact on our Group's financial position and performance as compared with the requirements of IAS 17. The adoption of IFRS 16 had no significant impact on our Group's financial ratios including gearing ratio and current ratio, nor our Group's financial position including net assets and performance such as net profit as compared to that of IAS 17.

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## FINANCIAL INFORMATION

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The preparation of the historical financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. The major judgements, estimates and assumptions that have most significant effect on the amounts recognised in the Historical Financial Information and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set forth in Note 5 “Significant accounting judgements and estimates” of the Accountants’ Report in Appendix I to this prospectus.

Certain key accounting policies, judgments and estimations applied in preparing our Group’s historical financial information are discussed below.

### **Key accounting policies**

#### ***Revenue from contracts with customers***

The Group is involved in the business of providing outsourced data and document management services. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

#### ***Outsourced document management services***

The Group enters into contracts with customers for the provision of outsourced document management services and works are performed upon receipt of job orders from the customers, typically on a monthly basis. Outsourced document management services include coding of the format/presentation of the document; converting raw data into the desired format/presentation; and delivering the documents to the end-customers in an agreed mode.

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## FINANCIAL INFORMATION

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Such contracts comprise a single performance obligation because the Group's promise to transfer the services to the customer is not separately identifiable as each service within the series is in fact a phase within the outsourced document management services that are highly interdependent and highly interrelated to each other in producing an integrated/combined output to the customer, i.e. to deliver the document in the desired format to its customers with a copy kept as record. Besides, the Group has not and will not provide part of the services as the customer is not likely to engage multiple parties to perform different phases of the outsourced document management services as each phase is highly interdependent and highly interrelated with each other.

The Group recognises revenue from the provision of outsourced document management services at a point in time because the customer will only receive and consume the benefits until the document is delivered to its customers.

Enterprise software solutions:

– *Customised software*

The Group provides customised software which is significantly modified to suit the requirements of a customer. The modification, testing and installation of the software are carried out in the customer's computer system.

The Group recognises revenue from the provision of customised software over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

– *Electronic document warehouse services*

The Group enters into contracts with customers for the provision of electronic document warehouse services which include:

- storing customers' data in electronic document warehouse.
- enabling unlimited direct data retrieval by customers.

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## FINANCIAL INFORMATION

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Such contracts comprise a single performance obligation because the Group's promise to store and enable direct data retrieval to the customer is not separately identifiable as they are highly interdependent and highly interrelated to each other, i.e. the Group will not be able to provide the direct data retrieval service without having to provide the document storage services.

The Group recognises revenue from the provision of electronic document warehouse services over time because the customers receive and consume the benefits as and when the Group provides the access to the electronic document warehouse over time.

### ***Contract assets***

A contract asset is the right to consideration in exchange for services transferred to the customer. If the Group performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

### ***Contract liabilities***

A contract liability is the obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

### ***Property, plant and equipment and depreciation***

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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## FINANCIAL INFORMATION

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Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2%
Leasehold improvements	10%
Plant and Machinery	10-20%
Furniture, fixtures and office equipment	10-33 <sup>1</sup> / <sub>3</sub> %
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents assets under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

### ***Intangible assets (other than goodwill)***

#### ***Research and development costs***

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.



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## FINANCIAL INFORMATION

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Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial productions.

### ***Right-of-use assets***

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. The principal annual rates used for this purpose are as follows:

Leasehold land	Over unexpired lease periods between 85 and 97 years
Office premises	10-20%

### ***Lease liabilities***

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

### ***Short-term leases and leases of low-value assets***

The Group applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below US\$5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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## FINANCIAL INFORMATION

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### ***Impairment of non-financial assets***

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset. An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

### **Critical accounting estimates and judgements**

#### ***Impairment of non-financial assets***

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

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## FINANCIAL INFORMATION

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### ***Depreciation of property, plant and equipment and amortisation of intangible asset***

The estimates for the residual values, useful lives and related depreciation charges for property, plant and equipment and amortisation of intangible assets are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment and intangible assets will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

### ***Provision for expected credit losses on trade receivables***

The Group uses a provision matrix to calculate expected credit losses ("ECLs") for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the financial sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 17 to the historical financial information.

### ***Development costs***

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 4 to the historical financial information. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. As at 31 December 2016, 2017, 2018 and 30 September 2019, the carrying amount of capitalised development costs were approximately RM1,574,000, RM2,130,000, RM2,829,000 and RM3,307,000, respectively.

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## FINANCIAL INFORMATION

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### RESULTS OF OPERATIONS

The table below sets out financial information on the consolidated results of our Group for the years indicated, which is derived from, and should be read in conjunction with, the consolidated financial information set out in the Accountants' Report in Appendix I to this prospectus.

### FINANCIAL INFORMATION

#### Consolidated statements of comprehensive income

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	68,198	71,044	67,095	48,919	54,266
Cost of sales	<u>(51,114)</u>	<u>(50,277)</u>	<u>(40,362)</u>	<u>(31,069)</u>	<u>(32,079)</u>
<b>Gross profit</b>	17,084	20,767	26,733	17,850	22,187
Other income and gains	393	144	241	49	433
Administrative expenses	(5,336)	(6,334)	(9,949)	(7,182)	(8,284)
Finance costs	<u>(42)</u>	<u>(31)</u>	<u>(410)</u>	<u>(147)</u>	<u>(697)</u>
<b>Profit before tax</b>	12,099	14,546	16,615	10,570	13,639
Income tax expense	<u>(2,884)</u>	<u>(3,391)</u>	<u>(4,835)</u>	<u>(3,257)</u>	<u>(4,332)</u>
<b>Profit and total comprehensive income for the year/period</b>	<u>9,215</u>	<u>11,155</u>	<u>11,780</u>	<u>7,313</u>	<u>9,307</u>

#### Revenue

Our total revenue amounted to approximately RM68.2 million, RM71.0 million, RM67.1 million, RM48.9 million and RM54.3 million for the three years ended 31 December 2018 and the nine months ended 30 September 2018 and 2019, respectively, which was mainly derived from provision of outsourced document management services and enterprise software solutions.

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The following table sets out the breakdown of our revenue derived from the following service lines for the years/periods indicated:

	Year ended 31 December						Nine months ended 30 September			
	2016 (RM'000)	%	2017 (RM'000)	%	2018 (RM'000)	%	2018 (RM'000)	%	2019 (RM'000)	%
Provision of outsourced document management services	66,439	97.4	69,456	97.8	65,176	97.1	47,644	97.4	48,503	89.4
Provision of enterprise software solutions	1,759	2.6	1,588	2.2	1,919	2.9	1,275	2.6	5,763	10.6
	<u>68,198</u>	<u>100.0</u>	<u>71,044</u>	<u>100.0</u>	<u>67,095</u>	<u>100.0</u>	<u>48,919</u>	<u>100.0</u>	<u>54,266</u>	<u>100.0</u>

During the Track Record Period, most of our revenue was derived from Malaysia. The table below sets out the breakdown of our revenue by geographical locations for the years/periods indicated:

	Year ended 31 December						Nine months ended 30 September			
	2016 (RM'000)	%	2017 (RM'000)	%	2018 (RM'000)	%	2018 (RM'000)	%	2019 (RM'000)	%
Malaysia	67,195	98.5	70,200	98.8	66,836	99.6	48,677	99.5	49,727	91.6
Singapore	1,003	1.5	844	1.2	259	0.4	242	0.5	4,539	8.4
	<u>68,198</u>	<u>100.0</u>	<u>71,044</u>	<u>100.0</u>	<u>67,095</u>	<u>100.0</u>	<u>48,919</u>	<u>100.0</u>	<u>54,266</u>	<u>100.0</u>

### Outsourced document management services

Outsourced document management services mainly involve electronic document delivery, document print and mail fulfilment and document imaging and scanning services.

During the Track Record Period, the revenue generated from the provision of outsourced document management services represent approximately 97.4%, 97.8%, 97.1%, 97.4% and 89.4% of the total revenue for the years ended 31 December 2016, 2017, 2018 and the nine months ended 30 September 2018 and 2019, respectively. Our revenue from the provision of outsourced document management services increased by approximately RM3.0 million or approximately 4.5% from approximately RM66.4 million for the year ended 31 December 2016 to approximately RM69.5 million for the year ended 31 December 2017 mainly due to the increase of both electronic services and printing and mail fulfillment services provided, especially attributable to services provided to a new customer, a subsidiary of Group F, which contributed revenue of approximately RM2.3 million. Our revenue from outsourced document management services decreased by approximately RM4.3 million or approximately 6.2% from approximately RM69.5 million for the year ended 31 December 2017 to approximately RM65.2 million for the year ended 31 December 2018 mainly due to decrease in revenue generated from Customer A and Customer B as a result of decrease of printing and mail fulfilment services provided, and the

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effect of such decrease was mitigated by increase of revenue generated from electronic services provided to our customers due to the ongoing trend of the greater adoption of document digitalisation within enterprises. Our revenue from the provision of outsourced document management services increased slightly from approximately RM47.6 million for the nine months ended 30 September 2018 to approximately RM48.5 million for the nine months ended 30 September 2019 mainly due to the increase of revenue generated from electronic services.

The below is a breakdown of our Group's revenue derived from our outsourced document management services and the average service fee by service type for the three years ended 31 December 2018 and the nine months ended 30 September 2018 and 2019:

	Year ended 31 December									Nine months ended 30 September					
	2016			2017			2018			2018			2019		
	As % of total revenue of outsourced document management services			As % of total revenue of outsourced document management services			As % of total revenue of outsourced document management services			As % of total revenue of outsourced document management services			As % of total revenue of outsourced document management services		
	Revenue (RM'000)	services %	Average service fee (RM) (Note 1)	Revenue (RM'000)	services %	Average service fee (RM) (Note 1)	Revenue (RM'000)	services %	Average service fee (RM) (Note 1)	Revenue (RM'000)	services %	Average service fee (RM) (Note 1)	Revenue (RM'000)	services %	Average service fee (RM) (Note 1)
<b>Outsourced document management services</b>															
(i) Electronic document delivery	975	1.5%	0.32	2,097	3.0%	0.18	3,399	5.2%	0.12	2,366	5.0%	0.12	2,974	6.1%	0.10
(ii) Document print & mail fulfilment	59,206	89.1%	0.13	64,359	92.7%	0.11	56,387	86.5%	0.14	41,552	87.2%	0.14	41,045	84.6%	0.13
(iii) MICR cheque print & mail fulfilment	1,370	2.1%	0.33	819	1.2%	0.39	746	1.2%	0.37	573	1.2%	0.41	325	0.7%	0.36
(iv) Medical ID card print & mail fulfilment	3,660	5.5%	0.08	1,029	1.5%	0.08	3,778	5.8%	0.08	2,488	5.2%	0.07	3,550	7.3%	0.10
(v) Document imaging and scanning service	1,228	1.8%	0.07	1,152	1.6%	0.08	866	1.3%	0.12	665	1.4%	0.11	609	1.3%	0.18
	<u>66,439</u>	<u>100%</u>		<u>69,456</u>	<u>100%</u>		<u>65,176</u>	<u>100%</u>		<u>47,644</u>	<u>100%</u>		<u>48,503</u>	<u>100%</u>	

*Note 1:* Under each service type, our Group charges different unit price for different activities. For illustrative purposes, the average service fee of each service type is calculated based on the total revenue of the services divided by total quantity of different activities for each reporting year/period.

The increase in revenue from electronic document delivery for the year ended 31 December 2017 and 2018 and the nine months ended 30 September 2019 was mainly due to the increase of revenue from email delivery and file conversion fee. The continuous decrease in average service fee was mainly due to the significant increase in quantity of bulk mass marketing with much lower price since 2017. The calculation of the average service fee of electronic document delivery excludes the file conversion fee as there was a significant increase in revenue from file conversion service since 2017 which has a very low unit price. If taking into account the file conversion service, the range of average service fee for the three years ended 31 December 2018 and the nine months ended 30 September 2019 would be RM0.16 – 0.41, RM0.01 – 0.13, RM0.01 – 0.08 and RM0.02 – 0.10, respectively.

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The increase in revenue from document print & mail fulfilment for the year ended 31 December 2017 was mainly attributable to services provided to a new customer, a subsidiary of Group F, which contributed revenue of approximately RM2.3 million and increase of revenue generated from Customer B, an insurance company, of approximately RM2.6 million for the year ended 31 December 2017. The increase of revenue of Customer B was mainly due to its one-off price increase policy. In 2017, Customer B increased its insurance premium for its certain products and engaged our Group to provide a one-off outsourced document management services to send out the relevant notifications to the customers of Customer B. Due to this one-off request for services by Customer B, our Group's revenue generated from the print and mail fulfilment of this one-off premium increase policy made by Customer B was approximately RM2.7 million. The decrease in revenue from document print & mail fulfilment for the year ended 31 December 2018 was mainly due to less service provided to Customer A and Customer B in 2018. To the best of the Directors' knowledge, the main reason why revenue from Customer A decreased was that Customer A shifted to electronic delivery for its statements (mainly credit card statements) by using its internal system it deployed before our Group had launched its Streamline OMS for processing and sending e-statements via email to customers. As a result, our Group's revenue from the print and mail fulfilment from Customer A dropped. The decrease in revenue from Customer B was mainly due to the absence of the abovementioned one-off activities in 2018. The revenue from document print & mail fulfilment decreased slightly from approximately RM41.6 million for the nine months ended 30 September 2018 to approximately RM41.0 million for the nine months ended 30 September 2019 mainly due to the slight decrease of revenue contributed from Customer A. The average service fee of document print & mail fulfillment remained stable for the three years ended 31 December 2018 and the nine months ended 30 September 2019.

Our Directors advised that the decrease in revenue from MICR cheque print & mail fulfilment for the year ended 31 December 2017 and 2018 was mainly due to the shift of MICR cheque payments to online payments of one customer. The average service fee of MICR cheque print & mail fulfillment remained stable for the three years ended 31 December 2018 and the nine months ended 30 September 2019.

The fluctuation in revenue from medical ID card print & mail fulfilment for the year ended 31 December 2017 and 2018 was mainly attributable to the service provided to our Customer B, an insurance company in 2017 and 2018. To the best of the Directors' knowledge, Customer B implemented replacement of its physical medical cards by mobile Apps in 2017 and hence reduced the Medical ID card print & mail fulfilment service from our Group. However, the replacement was not welcomed by the end customers of Customer B and eventually Customer B reissued physical medical cards, causing the revenue from medical ID card print & mail fulfilment to rebound in 2018. The average service fee of medical ID card print & mail fulfillment remained stable for the three years ended 31 December 2018. The increase in revenue from medical ID card print & mail fulfillment and the increase in the average service fee for the nine months ended 30 September 2019 compared to the same period in 2018 was mainly attributable to increase in revenue generated from our Customer E, an insurance company, with higher unit prices.

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The revenue from document imaging and scanning service and its average service fee remained stable for the year ended 31 December 2016 and 2017. The decrease in revenue from and increase in average service fee of document imaging and scanning service for the year ended 31 December 2018 was mainly due to decrease in ad-hoc jobs from two customers with lower unit prices. The decrease in revenue and increase in average service fee of document imaging and scanning service for the nine months ended 30 September 2019 compared to the same period in 2018 was mainly due to decrease in ad-hoc jobs from one customer with lower unit prices.

### **Enterprise software solutions**

We provide enterprise software solutions to our customers using our proprietary streamline software and generated revenue mainly from license fee, maintenance fee and implementation fee.

During the Track Record Period, the revenue generated from the provision of enterprise software solutions represent approximately 2.6%, 2.2%, 2.9%, 2.6% and 10.6% of the total revenue for the years ended 31 December 2016, 2017, 2018 and the nine months ended 30 September 2018 and 2019, respectively. Our revenue from the provision of enterprise software solutions decreased by approximately RM0.2 million or approximately 9.7% from approximately RM1.8 million for the year ended 31 December 2016 to approximately RM1.6 million for the year ended 31 December 2017. The decrease of the revenue generated from provision of enterprise software solutions for the year ended 31 December 2017 was mainly due to the decrease of our revenue from one customer in Singapore. We entered into an agreement with a leading bank in Singapore to provide software solution for its e-statement solution project in January 2016 with contract amount for the Streamline OMS solution of approximately RM1.8 million and annual maintenance fee of approximately RM0.1 million. We recognised revenue of approximately RM1.0 million and RM0.8 million for the software solution for the year ended 31 December 2016 and 2017, respectively, based on the progress of phases completed of the project. For the year ended 31 December 2018, we recognised revenue of approximately RM0.3 million from this customer from annual maintenance fee and other implementation charges. Our revenue from provision of enterprise software solutions increased from approximately RM1.6 million for the year ended 31 December 2017 to approximately RM1.9 million for the year ended 31 December 2018 mainly due to the increase of license fee of Streamline EDW. Since 2017, in line with the widespread adoption of SaaS, our Group made the shift to SaaS pricing model and provide customers the option to license our software as a SaaS based on an annual license fee. While our Group forgoes the benefit of any large up-front revenue, our Directors believe that the SaaS model build an annuity revenue base that then generates value over a longer term. Our revenue from provision of enterprise software solutions increased from approximately RM1.3 million for the nine months ended 30 September 2018 to approximately RM5.8 million for the nine months ended 30 September 2019 mainly due to (i) revenue of approximately RM2.4 million contributed from an existing customer which is a financial institution in Singapore for provision of Streamline OMS solution services and related software license fee. Our Group entered into two statements of work with this customer in April 2019 for function and capability enhancement of e-statement project with implementation fee of approximately RM0.3 million and in July 2019 for the



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software license fee of approximately RM0.7 million with annual software maintenance fee of approximately RM0.2 million. We also entered into a statement of work in June 2019 for e-statement implementation project for a group company of this customer with implementation fee of approximately RM0.8 million and annual software maintenance fee of approximately RM0.1 million and license fee of related software module of approximately RM0.3 million; and (ii) revenue of approximately RM2.2 million for provision of Streamline Suite solution services contributed from a new customer which is a private company in Singapore engaged in the provision of information technology solutions. Our Group was acquainted with this customer through word of mouth. We have entered into agreement with this new customer in April 2019 for license of streamline solution with license fee of approximately RM2.3 million and annual software maintenance fee of approximately RM0.5 million.

### Cost of sales

Our cost of sales mainly comprise postage cost, purchase of materials, staff costs, upkeep of assets, depreciation and amortisation. Our cost of sales amounted to approximately RM51.1 million, RM50.3 million, RM40.4 million, RM31.1 million and RM32.1 million for the three years ended 31 December 2018 and the nine months ended 30 September 2018 and 2019, respectively.

The following table sets out the breakdown of our costs of sales for the years/periods indicated:

	Year ended 31 December						Nine months ended 30 September			
	2016		2017		2018		2018		2019	
	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%
Postage	32,157	62.9	32,361	64.4	25,767	63.8	19,774	63.6	19,355	60.3
Purchase of materials	9,695	19.0	7,620	15.1	5,624	13.9	4,411	14.2	5,266	16.4
Staff costs	4,915	9.6	5,041	10.0	4,756	11.8	3,582	11.5	3,469	10.8
Upkeep of assets	2,153	4.2	2,210	4.4	727	1.8	632	2.0	839	2.6
Depreciation	798	1.6	1,247	2.5	1,139	2.8	1,067	3.4	933	2.9
Amortisation	170	0.3	305	0.6	519	1.3	350	1.1	508	1.6
Others	1,226	2.4	1,493	3.0	1,830	4.6	1,253	4.2	1,709	5.4
<b>Total</b>	<b>51,114</b>	<b>100.0</b>	<b>50,277</b>	<b>100.0</b>	<b>40,362</b>	<b>100.0</b>	<b>31,069</b>	<b>100.0</b>	<b>32,079</b>	<b>100.0</b>

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### **Postage**

Postage cost represented postage service fee charged by Supplier A, which is Malaysian national postal service provider. Our postage cost maintained at a similar level at approximately RM32.2 million and approximately RM32.4 million for the years ended 31 December 2016 and 2017, respectively. Our postage cost decreased by approximately RM6.6 million or approximately 20.4% from approximately RM32.4 million for the year ended 31 December 2017 to approximately RM25.8 million for the year ended 31 December 2018. Such decrease was mainly due to the decrease of printing and mail fulfilment services provided. Our postage cost maintained at a similar level of approximately RM19.8 million for the nine months ended 30 September 2018 and approximately RM19.4 million for the nine months ended 30 September 2019.

### **Purchase of materials**

Purchase of materials mainly represented purchase of printing materials including paper, forms and envelopes from our suppliers. Purchase of materials decreased from approximately RM9.7 million for the year ended 31 December 2016 to approximately RM7.6 million for the year ended 31 December 2017 and further decreased to approximately RM5.6 million for the year ended 31 December 2018. Such decrease was mainly due to the combined effect of (i) increase of electronic services such as electronic statement and electronic document delivery services provided; (ii) decrease of hardcopy statement services provided to Customer A; and (iii) more printing materials being sourced and directly provided by certain customers themselves. Purchase of materials increased from approximately RM4.4 million for the nine months ended 30 September 2018 to approximately RM5.3 million for the nine months ended 30 September 2019 mainly due to increase of medical ID card printing and mail fulfilment services provided and increase of supply of materials of document printing and mail fulfilment.

### **Staff costs**

Staff costs represented salaries and other benefits of our operating staffs mainly under the production and planning department, the information technology department, the client servicing department, project management department and design department. Staff costs maintained at a similar level of approximately RM4.9 million, RM5.0 million and RM4.8 million for the years ended 31 December 2016, 2017 and 2018, respectively. Staff cost maintained at a similar level of approximately RM3.6 million and RM3.5 million for the nine months ended 30 September 2018 and 2019, respectively.

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### **Depreciation**

Depreciation expenses mainly represented depreciation of plant and machinery including printers, inserters, scanners and servers. Depreciation expenses increased from approximately RM0.8 million for the year ended 31 December 2016 to approximately RM1.2 million for the year ended 31 December 2017 mainly due to the addition of servers. Depreciation expenses maintained at a similar level of approximately RM1.2 million and RM1.1 million for the year ended 31 December 2017 and 2018, respectively. Depreciation maintained at a similar level of approximately RM1.1 million and RM0.9 million for the nine months ended 30 September 2018 and 2019, respectively.

### **Amortisation**

Amortisation represented the amortisation expenses of intangible asset, i.e. our Streamline OMS, EDW and DMS software. Amortisation expenses increased from approximately RM0.2 million for the year ended 31 December 2016 to approximately RM0.3 million for the year ended 31 December 2017 and further increased to approximately RM0.5 million for the year ended 31 December 2018 mainly due to the amortisation of EDW and DMS phase I, which commenced amortisation in July 2017 and September 2018, respectively, upon the completion of the development stage. Amortisation increased from approximately RM0.4 million for the nine months ended 30 September 2018 to approximately RM0.5 million for the nine months ended 30 September 2019 mainly due to the amortisation of DMS phase I.

### **Upkeep of assets**

Upkeep of assets represented the purchase of printer toner used in operation as well as purchase of spare parts used in the repair and maintenance of printers, inserters, scanners. Upkeep of assets maintained at a similar level of approximately RM2.2 million for the year ended 31 December 2016 and 2017. Upkeep of assets decreased from approximately RM2.2 million for the year ended 31 December 2017 to approximately RM0.7 million for the year ended 31 December 2018 mainly due to the decrease of printing services our Group provided and reduction in asset maintenance as our Group has purchased new printers to replace old models which require more frequent maintenance. Upkeep of assets increased from approximately RM0.6 million for the nine months ended 30 September 2018 to approximately RM0.8 million for the nine months ended 30 September 2019 mainly due to the increase of maintenance expenses for the printers.

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### Others

Others mainly represented payment to contract workers for specific jobs, internet and SMS expenses, courier services fee and packing expenses. The amount increased from approximately RM1.2 million for the year ended 31 December 2016 to approximately RM1.5 million for the year ended 31 December 2017 mainly due to the increase of internet and SMS expenses and courier services fee. The amount increased from approximately RM1.5 million for the year ended 31 December 2017 to approximately RM1.8 million for the year ended 31 December 2018 mainly due to increase of courier services fee. Our Directors advised that the increase of internet and SMS expenses for the year ended 31 December 2017 was mainly due to the increase of number of internet lines and number of IP and the courier services fee increased as our Group gradually changed our courier services provider from Supplier A to third party courier service provider during the year ended 31 December 2017 and 2018. Other expenses increased from approximately RM1.3 million for the nine months ended 30 September 2018 to approximately RM1.7 million for the nine months ended 30 September 2019 mainly due to the increase of payment to contract workers and stamp expenses.

### Sensitivity analysis

The following sensitivity analysis of estimated increase/decrease of our gross profit and net profit illustrates the impact of hypothetical fluctuations in the postage, purchase of materials and staff costs assuming all other variables remain constant for the years/period indicated:

	Corresponding change in cost of sales (RM'000)	Gross profit (RM'000)	Change in gross profit (RM'000)	Net profit (RM'000)	Change in net profit (RM'000)
<b>For the year ended 31 December 2016</b>					
Postage increased/(decreased) by:					
+10%	3,216	13,868	(3,216)	6,771	(2,444)
+5%	1,608	15,476	(1,608)	7,993	(1,222)
0%	–	17,084	–	9,215	–
–5%	(1,608)	18,692	1,608	10,437	1,222
–10%	(3,216)	20,300	3,216	11,659	2,444
Purchase of materials increased/ (decreased) by:					
+10%	970	16,115	(970)	8,478	(737)
+5%	485	16,599	(485)	8,847	(368)
0%	–	17,084	–	9,215	–
–5%	(485)	17,569	485	9,583	368
–10%	(970)	18,054	970	9,952	737

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	Corresponding change in cost of sales (RM'000)	Gross profit (RM'000)	Change in gross profit (RM'000)	Net profit (RM'000)	Change in net profit (RM'000)
Staff costs increased/(decreased) by:					
+10%	492	16,593	(492)	8,841	(374)
+5%	246	16,838	(246)	9,028	(187)
0%	–	17,084	–	9,215	–
–5%	(246)	17,330	246	9,402	187
–10%	(492)	17,576	492	9,589	374
<b>For the year ended 31 December 2017</b>					
Postage increased/(decreased) by:					
+10%	3,236	17,531	(3,236)	8,696	(2,459)
+5%	1,618	19,149	(1,618)	9,925	(1,230)
0%	–	20,767	–	11,155	–
–5%	(1,618)	22,385	1,618	12,385	1,230
–10%	(3,236)	24,003	3,236	13,614	2,459
Purchase of materials increased/(decreased) by:					
+10%	762	20,005	(762)	10,576	(579)
+5%	381	20,386	(381)	10,865	(290)
0%	–	20,767	–	11,155	–
–5%	(381)	21,148	381	11,445	290
–10%	(762)	21,529	762	11,734	579
Staff costs increased/(decreased) by:					
+10%	504	20,263	(504)	10,772	(383)
+5%	252	20,515	(252)	10,963	(192)
0%	–	20,767	–	11,155	–
–5%	(252)	21,019	252	11,347	192
–10%	(504)	21,271	504	11,538	383
<b>For the year ended 31 December 2018</b>					
Postage increased/(decreased) by:					
+10%	2,577	24,156	(2,577)	9,822	(1,958)
+5%	1,288	25,445	(1,288)	10,801	(979)
0%	–	26,733	–	11,780	–
–5%	(1,288)	28,021	1,288	12,759	979
–10%	(2,577)	29,310	2,577	13,738	1,958

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	Corresponding change in cost of sales (RM'000)	Gross profit (RM'000)	Change in gross profit (RM'000)	Net profit (RM'000)	Change in net profit (RM'000)
Purchase of materials increased/(decreased) by:					
+10%	562	26,171	(562)	11,353	(427)
+5%	281	26,452	(281)	11,566	(214)
0%	–	26,733	–	11,780	–
–5%	(281)	27,014	281	11,994	214
–10%	(562)	27,295	562	12,207	427
Staff costs increased/(decreased) by:					
+10%	476	26,257	(476)	11,419	(361)
+5%	238	26,495	(238)	11,599	(181)
0%	–	26,733	–	11,780	–
–5%	(238)	26,971	238	11,961	181
–10%	(476)	27,209	476	12,141	361
<b>For the nine months ended 30 September 2019</b>					
Postage increased/(decreased) by					
+10%	1,936	20,252	(1,936)	7,836	(1,471)
+5%	968	21,219	(968)	8,572	(735)
0%	–	22,187	–	9,307	–
–5%	(968)	23,155	968	10,042	735
–10%	(1,936)	24,123	1,936	10,778	1,471
Purchase of materials increased/ (decreased) by:					
+10%	527	21,660	(527)	8,907	(400)
+5%	263	21,924	(263)	9,107	(200)
0%	–	22,187	–	9,307	–
–5%	(263)	22,450	263	9,507	200
–10%	(527)	22,714	527	9,707	400
Staff costs increased/(decreased) by:					
+10%	347	21,840	(347)	9,043	(264)
+5%	173	22,014	(173)	9,175	(132)
0%	–	22,187	–	9,307	–
–5%	(173)	22,360	173	9,439	132
–10%	(347)	22,534	347	9,571	264

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### Gross profit and gross profit margin

Our gross profits were approximately RM17.1 million, RM20.8 million, RM26.7 million, RM17.9 million and RM22.2 million for the years ended 31 December 2016, 2017, 2018 and the nine months ended 30 September 2018 and 2019, respectively. Our gross profit margins were approximately 25.1%, 29.2%, 39.8%, 36.5% and 40.9% for the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2018 and 2019, respectively.

The following is the analysis of gross profit margin by different service types during Track Record Period.

	Year ended 31 December									Nine months ended 30 September					
	2016			2017			2018			2018			2019		
	Revenue (RM'000)	As % of total revenue	Gross profit margin %	Revenue (RM'000)	As % of total revenue	Gross profit margin %	Revenue (RM'000)	As % of total revenue	Gross profit margin %	Revenue (RM'000)	As % of total revenue	Gross profit margin %	Revenue (RM'000)	As % of total revenue	Gross profit margin %
<b>Outsourced document management services</b>															
(1) Electronic document delivery	975	1.4	82.7	2,097	3.0	83.2	3,399	5.1	81.6	2,366	4.8	81.4	2,974	5.5	84.6
(2) Document print & mail fulfilment	59,206	86.8	20.8	64,359	90.6	25.3	56,387	84.0	34.9	41,552	84.9	31.6	41,045	75.6	30.8
(3) MICR cheque print & mail fulfilment	1,370	2.0	28.2	819	1.2	28.7	746	1.1	36.7	573	1.2	37.7	325	0.6	35.1
(4) Medical ID card print & mail fulfilment	3,660	5.4	33.8	1,029	1.4	31.3	3,778	5.6	46.0	2,488	5.1	41.6	3,550	6.6	40.3
(5) Document imaging and scanning service	1,228	1.8	68.0	1,152	1.6	70.7	866	1.3	76.4	665	1.4	71.7	609	1.1	76.5
	<u>66,439</u>	<u>97.4</u>	<u>23.5</u>	<u>69,456</u>	<u>97.8</u>	<u>27.9</u>	<u>65,176</u>	<u>97.1</u>	<u>38.6</u>	<u>47,644</u>	<u>97.4</u>	<u>35.3</u>	<u>48,503</u>	<u>89.4</u>	<u>35.4</u>
<b>Enterprise software solutions</b>	<u>1,759</u>	<u>2.6</u>	<u>84.4</u>	<u>1,588</u>	<u>2.2</u>	<u>86.2</u>	<u>1,919</u>	<u>2.9</u>	<u>82.9</u>	<u>1,275</u>	<u>2.6</u>	<u>82.6</u>	<u>5,763</u>	<u>10.6</u>	<u>86.7</u>
<b>Total</b>	<u>68,198</u>	<u>100.0</u>	<u>25.1</u>	<u>71,044</u>	<u>100.0</u>	<u>29.2</u>	<u>67,095</u>	<u>100.0</u>	<u>39.8</u>	<u>48,919</u>	<u>100.0</u>	<u>36.5</u>	<u>54,266</u>	<u>100.0</u>	<u>40.9</u>

The gross profit margin of electronic document delivery maintained at a similar level for the three years ended 31 December 2018 and the nine months ended 30 September 2019.

The gross profit margin of document print & mail fulfilment increased from approximately 20.8% for the year ended 31 December 2016 to approximately 25.3% for the year ended 31 December 2017 and further increased to approximately 34.9% for the year ended 31 December 2018 mainly due to the increase of proportion of revenue generated from high profit margin service such as programming charge, development fee and UAT charges provided to customers while decrease in proportion of revenue generated from lower profit margin service such as postage and supply of materials. The gross profit margin of document print & mail fulfilment maintained at a similar level for the nine months ended 30 September 2018 and 2019.

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The gross profit margin of MICR cheque print & mail fulfilment increased to approximately 36.7% for the year ended 31 December 2018 mainly due to (i) the decrease of supply of materials which has a lower profit margin and (ii) the decrease of staff cost of production and planning department and upkeep of assets in 2018. Staff cost of production and planning department decreased from approximately RM3.7 million for the year ended 31 December 2017 to approximately RM2.9 million for the year ended 31 December 2018, mainly due to (i) the decrease of bonuses paid to staff and (ii) the decrease of overtime expenses as more electronic document delivery services were provided and the process of which is more digitalised using streamline applications, and therefore less overtime work by production and planning department was required. Upkeep of assets decreased from approximately RM2.2 million for the year ended 31 December 2017 to approximately RM0.7 million for the year ended 31 December 2018 mainly due to the decrease of printing services our Group provided and reduction in asset maintenance as our Group has purchased new printers to replace old models which require more frequent maintenance. The gross profit margin of MICR cheque print & mail fulfilment maintained at a similar level for the nine months ended 30 September 2018 and 2019.

The gross profit margin of medical ID card print & mail fulfilment increased to approximately 46.0% for the year ended 31 December 2018 mainly due to (i) the decrease of proportion of revenue generated from lower profit margin service such as postage and supply of materials compared to the year ended 31 December 2017 and (ii) the decrease of staff cost of production and planning department and upkeep of assets in 2018. The gross profit margin of Medical ID card print & mail fulfilment maintained at a similar level for the nine months ended 30 September 2018 and 2019.

The gross profit margin of document imaging and scanning service increased to approximately 76.4% for the year ended 31 December 2018 mainly due to (i) decrease in ad-hoc jobs from two customers with lower unit prices and (ii) the decrease of staff cost of production and planning department and upkeep of assets in 2018. The gross profit margin of document imaging and scanning service increased to approximately 76.5% for the nine months ended 30 September 2019 compared to the same period in 2018 mainly due to the decrease in ad-hoc jobs from one customer with lower unit prices.

The gross profit margin of enterprise software solutions maintained at a similar level for the three years ended 31 December 2018 and the nine months ended 30 September 2019.



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### Other income and gains

The table below sets out the breakdown of our other income and gains for the years/periods indicated:

	Year ended 31 December						Nine months ended 30 September			
	2016		2017		2018		2018		2019	
	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%
Interest income	89	22.6	142	98.6	239	99.2	47	95.9	336	77.6
Insurance compensation	304	77.4	2	1.4	2	0.8	2	4.1	–	–
Others	–	–	–	–	–	–	–	–	97	22.4
	<u>393</u>	<u>100.0</u>	<u>144</u>	<u>100.0</u>	<u>241</u>	<u>100.0</u>	<u>49</u>	<u>100.0</u>	<u>433</u>	<u>100.0</u>

Our other income and gains were approximately RM0.4 million and RM0.1 million for the years ended 31 December 2016 and 2017, respectively, representing a decrease of approximately RM0.3 million or 63.4%. Our other income and gains were approximately RM0.2 million for the year ended 31 December 2018, representing an increase of approximately RM0.1 million or 67.4%. Our other income and gains increased from approximately RM49,000 for the nine months ended 30 September 2018 to approximately RM0.4 million for the nine months ended 30 September 2019.

### Administrative expenses

The following table sets out the breakdown of our administrative expenses for the years/periods indicated:

	Year ended 31 December						Nine months ended 30 September			
	2016		2017		2018		2018		2019	
	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%
Staff cost	1,493	28.0	1,407	22.2	2,330	23.4	1,479	20.6	2,099	25.3
Directors' remuneration	1,006	18.9	1,011	16.0	1,047	10.5	823	11.5	903	10.9
Depreciation	737	13.8	879	13.9	851	8.6	674	9.4	664	8.0
Utilities	476	8.9	509	8.0	487	4.9	364	5.1	404	4.9
Upkeep of assets	366	6.9	342	5.4	343	3.4	326	4.5	146	1.8
Travelling	215	4.0	166	2.6	153	1.5	104	1.4	151	1.8
Security services	111	2.1	122	1.9	119	1.2	96	1.3	88	1.1
Impairment of trade receivables	25	0.5	215	3.4	127	1.3	200	2.8	219	2.6
Asset written off	–	–	590	9.3	–	–	–	–	–	–
Listing expenses	–	–	–	–	4,024	40.5	2,475	34.5	2,995	36.2
Others	<u>907</u>	<u>16.9</u>	<u>1,093</u>	<u>17.3</u>	<u>468</u>	<u>4.7</u>	<u>641</u>	<u>8.9</u>	<u>615</u>	<u>7.4</u>
	<u>5,336</u>	<u>100.0</u>	<u>6,334</u>	<u>100.0</u>	<u>9,949</u>	<u>100.0</u>	<u>7,182</u>	<u>100.0</u>	<u>8,284</u>	<u>100.0</u>

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During the years ended 31 December 2016 and 2017, our administrative expenses amounted to approximately RM5.3 million and RM6.3 million, respectively, representing an increase of approximately RM1.0 million or 18.7%. During the year ended 31 December 2018, our administrative expenses amounted to approximately RM9.9 million, representing increase of approximately RM3.6 million or 57.1%. During the nine months ended 30 September 2018 and 2019, our administrative expenses amounted to approximately RM7.2 million and RM8.3 million, representing increase of approximately RM1.1 million or 15.3%.

### **Staff costs**

Staff cost represented salaries and other benefits for administrative staff mainly under the finance and accounting department, the human resource and administrative department, the compliance department and the maintenance department. Our staff cost maintained at a similar level of approximately RM1.5 million and RM1.4 million for each of the years ended 31 December 2016 and 2017. Our staff cost increased by approximately RM0.9 million or 65.6% from approximately RM1.4 million for the year ended 31 December 2017 to approximately RM2.3 million for the year ended 31 December 2018 mainly due to increase in headcount of administrative staff in 2018 and increased from approximately RM1.5 million for the nine months ended 30 September 2018 to approximately RM2.1 million for the nine months ended 30 September 2019 mainly due to appointment of financial controller and finance manager in the second half of 2018.

### **Directors' remuneration**

Director remuneration represented salaries, director fee and other benefits of directors. Director remuneration remained stable at approximately RM1.0 million for each of the years ended 31 December 2016, 2017 and 2018. Directors' remuneration remained stable at approximately RM0.8 million and RM0.9 million for the nine months ended 30 September 2018 and 2019.

### **Depreciation**

Depreciation expenses maintained at a similar level of approximately RM0.7 million, RM0.9 million and RM0.9 million for the years ended 31 December 2016, 2017 and 2018, respectively. Depreciation expenses maintained at a similar level of approximately RM0.7 million for the nine months ended 30 September 2018 and 2019.

### **Utilities**

Utilities remained stable at approximately RM0.5 million for each of the years ended 31 December 2016, 2017 and 2018. Utilities maintained at a similar level of approximately RM0.4 million for the nine months ended 30 September 2018 and 2019.

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### **Upkeep of assets**

Upkeep of assets mainly represented upkeep of land and buildings, office equipment and motor vehicles. Upkeep of assets remained stable at approximately RM0.4 million, RM0.3 million and RM0.3 million for the year ended 31 December 2016, 2017 and 2018, respectively. Upkeep of assets decreased from approximately RM0.3 million for the nine months ended 30 September 2018 to approximately RM0.1 million for the nine months ended 30 September 2019 mainly due to the decrease in maintenance costs for motor vehicles.

### **Travelling**

Travelling expenses mainly represented expenses for business travels. Travelling expenses remained stable at approximately RM0.2 million for each of the years ended 31 December 2016, 2017 and 2018 and approximately RM0.1 million and RM0.2 million for the nine months ended 30 September 2018 and 2019, respectively.

### **Security services**

Security services mainly represented the engagement of outsourced security services in the premises of our Group. Security services remained stable at approximately RM0.1 million for each of the years ended 31 December 2016, 2017 and 2018 and for the nine months ended 30 September 2018 and 2019, respectively.

### **Impairment of trade receivables**

Our Group has provided impairment loss on trade receivables based on historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions. For details, please refer to paragraph headed “Trade receivables” under this section.

### **Assets written off**

The assets written off of approximately RM0.6 million for the year ended 31 December 2017 is attributable to the write-off exercise performed by our Group in 2017 where damaged assets were identified.

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### **Listing expenses**

For the year ended 31 December 2018 and the nine months ended 30 September 2019, we recognised listing expenses of approximately RM4.0 million and RM3.0 million for the Listing. For details, please refer to the paragraph headed “Listing Expense” under this section.

### **Finance costs**

Our finance costs represented interest expenses on interest-bearing bank and other borrowings, amounted to approximately RM42,000, RM31,000 and RM410,000 for the years ended 31 December 2016, 2017 and 2018, respectively. Our finance costs amounted to approximately RM147,000 and RM697,000 for the nine months ended 30 September 2018 and 2019, respectively.

### **Profit before tax**

During the years ended 31 December 2016, 2017 and 2018 and nine months ended 30 September 2018 and 2019, our profit before tax was approximately RM12.1 million, RM14.5 million, RM16.6 million, RM10.6 million and RM13.6 million, respectively.

### **Income tax expense**

The income tax expense represented the total current and deferred tax expenses mainly for Malaysia amounted to approximately RM2.9 million, RM3.4 million, RM4.8 million, RM3.3 million and RM4.3 million for the years ended 31 December 2016, 2017 and 2018 and nine months ended 30 September 2018 and 2019, respectively. Our effective tax rates, representing income tax divided by profit before tax, were approximately 23.8%, 23.3%, 29.1%, 30.8% and 31.8% for the years ended 31 December 2016, 2017 and 2018 and nine months ended 30 September 2018 and 2019, respectively.

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The table below sets out the reconciliation of our income tax expense for the years/periods indicated:

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Tax calculated at domestic tax rates applicable to profit in the respective tax jurisdictions	2,904	3,491	3,988	2,537	3,273
Lower tax rate enacted by tax authority	(25)	(30)	(60)	(60)	(70)
Effect on opening deferred tax of decrease in rates	(25)	–	–	–	–
Expenses not deductible for tax	102	117	1,063	780	1,018
Income not subject to tax	(72)	–	–	–	–
Adjustments in respect of current tax of previous periods	–	–	–	–	111
Incentive reduced tax rate under Income Tax Exemption (No. 2) Order 2017	–	(187)	(156)	–	–
Income tax expenses	<u>2,884</u>	<u>3,391</u>	<u>4,835</u>	<u>3,257</u>	<u>4,332</u>

Malaysia's corporate income tax is calculated at 24% of the estimated assessable profits for the years ended 31 December 2016, 2017 and 2018. Malaysian resident companies with paid-up capital of less than RM2.5 million are subject to a tax rate of 19%, 18% and 18% on the first RM500,000 and remaining balance of the estimated assessable profits at tax rate of 24% for the years ended 31 December 2016, 2017 and 2018, respectively.

For the year ended 31 December 2017 and 2018, Compugraphic Media and Coeus Systems enjoyed a preferential tax rate on the incremental portion of chargeable income according to Income Tax Exemption (No. 2) Order 2017 as gazetted by the Malaysian government on 10 April 2017.

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### **Profit for the year/period and net profit margin**

For the three years ended 31 December 2016, 2017 and 2018 and nine months ended 30 September 2018 and 2019, our net profit was approximately RM9.2 million, RM11.2 million, RM11.8 million, RM7.3 million and RM9.3 million, respectively. During the same periods, our net profit margin was approximately 13.5%, 15.7%, 17.6%, 14.9% and 17.2%, respectively.

### **PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS**

#### **Financial performance for the year ended 31 December 2017 compared with the same period in 2016**

##### ***Revenue***

Our total revenue increased by approximately RM2.8 million or 4.2% from approximately RM68.2 million for the year ended 31 December 2016 to approximately RM71.0 million for the year ended 31 December 2017. The increase in our revenue was mainly attributable to increase in revenue generated from provision of outsourced document management services.

Our revenue generated from provision of outsourced document management services increased by approximately RM3.0 million or 4.5% from approximately RM66.4 million for the year ended 31 December 2016 to approximately RM69.5 million for the year ended 31 December 2017 mainly due to the increase of both electronic services and printing and mail fulfillment services provided, especially attributable to the services provided to a new customer, a subsidiary of Group F, which contributed revenue of approximately RM2.3 million.

Our revenue generated from provision of enterprise software solutions decreased by approximately RM0.2 million or 9.7% from approximately RM1.8 million for the year ended 31 December 2016 to approximately RM1.6 million for the year ended 31 December 2017. Such decrease was mainly attributable to decrease of revenue from a leading bank in Singapore from approximately RM1.0 million for the year ended 31 December 2016 to approximately RM0.8 million for the year ended 31 December 2017 for OMS solution provided by our Group for its e-statement solution project.

##### ***Cost of sales***

Our total cost of sales decreased by approximately RM0.8 million or 1.6% from approximately RM51.1 million for the year ended 31 December 2016 to approximately RM50.3 million for the year ended 31 December 2017. Such decrease was mainly attributable to the decrease in purchase of materials of approximately RM2.1 million mainly due to the combined effect of (i) increase of electronic services such as electronic statement and electronic document delivery services provided; (ii) decrease of hardcopy statement services provided to Customer A; and (iii) more printing materials being sourced and directly provided by certain customers themselves.

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### ***Gross profit and gross profit margin***

Our gross profit increased by approximately RM3.7 million or 21.6% from approximately RM17.1 million for the year ended 31 December 2016 to approximately RM20.8 million for the year ended 31 December 2017.

Our gross profit margin increased by approximately 4.1% points from approximately 25.1% for the year ended 31 December 2016 to approximately 29.2% for the year ended 31 December 2017. Our gross profit and gross profit margin increased mainly due to the increase of revenue by approximately RM2.8 million as a result of more outsourced document management services provided to our customers and decrease of cost of sales by approximately RM0.8 million as a result of decrease in purchase of materials as discussed above.

### ***Other income and gains***

Our other income and gains decreased by approximately RM0.3 million or 63.4% from approximately RM0.4 million for the year ended 31 December 2016 to approximately RM0.1 million for the year ended 31 December 2017 mainly due to the decrease in insurance claim as our Group claimed insurance on damaged assets of approximately RM0.3 million as a result of an electronic surge in 2016.

### ***Administrative expenses***

Our administrative expenses increased by approximately RM1.0 million or 18.7% from RM5.3 million for the year ended 31 December 2016 to approximately RM6.3 million for the year ended 31 December 2017. The increase was primarily due to asset written off of approximately RM0.6 million and impairment of trade receivables of approximately RM0.2 million for the year ended 31 December 2017.

### ***Finance costs***

Our finance costs decreased by approximately RM11,000 or 26.2% from approximately RM42,000 for the year ended 31 December 2016 to approximately RM31,000 for the year ended 31 December 2017 due to the decrease of interest on lease liabilities.

### ***Profit before tax***

Our profit before tax increased by approximately RM2.4 million or 20.2% from approximately RM12.1 million for the year ended 31 December 2016 to approximately RM14.5 million for the year ended 31 December 2017. Such increase was mainly attributable to increase of gross profit of approximately of RM3.7 million as mentioned above.

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### ***Income tax expense***

Our income tax expense increased by approximately RM0.5 million or 17.6% from approximately RM2.9 million for the year ended 31 December 2016 to approximately RM3.4 million for the year ended 31 December 2017. Our income tax expense increased mainly due to the increase in profit before income tax for the year ended 31 December 2017.

### ***Profit for the year***

Our profit for the year increased by approximately RM1.9 million or 21.1% from approximately RM9.2 million for the year ended 31 December 2016 to approximately RM11.2 million for the year ended 31 December 2017. Such increase was due to the factors mentioned above.

### **Financial performance for the year ended 31 December 2018 compared with the same period in 2017**

#### ***Revenue***

Our total revenue decreased by approximately RM3.9 million or 5.6% from approximately RM71.0 million for the year ended 31 December 2017 to approximately RM67.1 million for the year ended 31 December 2018. Such decrease was mainly attributable to a decrease in revenue generated from the provision of outsourced document management services.

Our revenue generated from the provision of outsourced document management services decreased by approximately RM4.3 million or 6.2% from approximately RM69.5 million for the year ended 31 December 2017 to approximately RM65.2 million for the year ended 31 December 2018 mainly due to decrease in revenue generated from Customer A and Customer B as a result of decrease of printing and mail fulfilment services provided, and the effect of such decrease was mitigated by increase of revenue generated from electronic services provided to our customers due to the ongoing trend of the greater adoption of document digitalisation within enterprises.

Our revenue from provision of enterprise software solutions increased from approximately RM1.6 million for the year ended 31 December 2017 to approximately RM1.9 million for the year ended 31 December 2018 mainly due to the increase of license fee of Streamline EDW.



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### ***Cost of sales***

Our cost of sales decreased by approximately RM9.9 million or 19.7% from approximately RM50.3 million for the year ended 31 December 2017 to approximately RM40.4 million for the year ended 31 December 2018. Such decrease was mainly attributable to the combined effect of (i) decrease in cost of postage of approximately RM6.6 million and decrease in purchase of materials of approximately RM2.0 million, which was mainly due to the decrease of printing and mail fulfillment services provided; and (ii) decrease in upkeep of assets of approximately RM1.5 million mainly due to the decrease of printing services provided and reduction in asset maintenance.

### ***Gross profit and gross profit margin***

Our gross profit increased by approximately RM6.0 million or 28.7% from approximately RM20.8 million for the year ended 31 December 2017 to approximately RM26.7 million for the year ended 31 December 2018.

Our gross profit margin increased by approximately 10.6% points from approximately 29.2% for the year ended 31 December 2017 to approximately 39.8% for the year ended 31 December 2018. The increase in gross profit and gross profit margin was mainly attributable to (i) increase of electronic services such as electronic statements and delivery services and decrease of printing and mail fulfillment services provided to our customers under outsourced document management services due to the ongoing trend of the greater adoption of document digitalisation within enterprises. Electronic services generally have higher gross profit margin as the process is highly automated using streamline applications while more cost was involved in printing and mail fulfillment services such as postage charge and materials; and (ii) decrease in cost of upkeep of assets as discussed above.

### ***Other income and gains***

Our other income and gains increased by approximately RM97,000 or 67.4% from approximately RM144,000 for the year ended 31 December 2017 to approximately RM241,000 for the year ended 31 December 2018 mainly due to the increase in interest received.

### ***Administrative expenses***

Our administrative expenses increased by approximately RM3.6 million or 57.1% from approximately RM6.3 million for the year ended 31 December 2017 to approximately RM9.9 million for the year ended 31 December 2018. Such increase was primarily due to an increase in Listing expenses of approximately RM4.0 million.

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### ***Finance costs***

Our finance costs increased from approximately RM31,000 for the year ended 31 December 2017 to approximately RM410,000 for the year ended 31 December 2018 mainly due to the interest of a new term loan of RM19.0 million which was drawn down in August 2018.

### ***Profit before tax***

Our profit before tax increased by approximately RM2.1 million or 14.2% from approximately RM14.5 million for the year ended 31 December 2017 to approximately RM16.6 million for the year ended 31 December 2018. Such increase was primarily due to an increase in gross profit in an approximate sum of RM6.0 million offset by an increase of administrative expense of approximately RM3.6 million.

### ***Income tax expense***

Our income tax expense increased from approximately RM3.4 million for the year ended 31 December 2017 to approximately RM4.8 million for the year ended 31 December 2018. Such increase was mainly due to the increase of profit before tax of approximately RM2.1 million and increase of Listing expenses of approximately RM4.0 million which are non-deductible expenses.

### ***Profit for the year***

Our profit for the year increased by approximately RM0.6 million or 5.6% from approximately RM11.2 million for the year ended 31 December 2017 to approximately RM11.8 million for the year ended 31 December 2018 mainly due to the reason as mentioned above.

### **Financial performance for the nine months ended 30 September 2019 compared with the same period in 2018**

#### ***Revenue***

Our total revenue increased by approximately RM5.3 million or 10.9% from approximately RM48.9 million for the nine months ended 30 September 2018 to approximately RM54.3 million for the nine months ended 30 September 2019. Such increase was mainly attributable to increase in revenue generated from the provision of enterprise software solution services.

Our revenue generated from the provision of outsourced document management services increased slightly from approximately RM47.6 million for the nine months ended 30 September 2018 to approximately RM48.5 million for the nine months ended 30 September 2019 mainly due to increase of revenue generated from electronic services provided to our customers.

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Our revenue from provision of enterprise software solutions increased from approximately RM1.3 million for the nine months ended 30 September 2018 to approximately RM5.8 million for the nine months ended 30 September 2019 mainly due to the revenue contributed from two customers in Singapore for provision of Streamline OMS and EDW solution.

### ***Cost of sales***

Our cost of sales increased slightly by approximately RM1.0 million or 3.3% from approximately RM31.1 million for the nine months ended 30 September 2018 to approximately RM32.1 million for the nine months ended 30 September 2019. Such increase was mainly attributable to the increase in cost of purchase of materials, which was mainly due to the increase of medical ID card printing and mail fulfilment services provided with higher plastic material costs.

### ***Gross profit and gross profit margin***

Our gross profit increased by approximately RM4.3 million or 24.3% from approximately RM17.9 million for the nine months ended 30 September 2018 to approximately RM22.2 million for the nine months ended 30 September 2019.

Our gross profit margin increased by approximately 4.4% points from approximately 36.5% for the nine months ended 30 September 2018 to approximately 40.9% for the nine months ended 30 September 2019. The increase in gross profit and gross profit margin was mainly attributable to (i) significant increase of provision of enterprise software solution services to our customers which have higher gross profit margin; and (ii) increase of electronic services such as electronic statements and delivery services and decrease of printing and mail fulfillment services provided to our customers under outsourced document management services due to the ongoing trend of the greater adoption of document digitalisation within enterprises. Electronic services generally have higher gross profit margin as the process is highly automated using streamline applications while more cost was involved in printing and mail fulfillment services such as postage charge and materials.

### ***Other income and gains***

Our other income and gains increased from approximately RM49,000 for the nine months ended 30 September 2018 to approximately RM433,000 for the nine months ended 30 September 2019 mainly due to the increase in interest received.

### ***Administrative expenses***

Our administrative expenses increased by approximately RM1.1 million or 15.3% from approximately RM7.2 million for the nine months ended 30 September 2018 to approximately RM8.3 million for the nine months ended 30 September 2019. Such increase was primarily due to the increase of staff cost of approximately RM0.6 million and the increase in Listing expenses of approximately RM0.5 million.

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### ***Finance costs***

Our finance costs increased from approximately RM147,000 for the nine months ended 30 September 2018 to approximately RM697,000 for the nine months ended 30 September 2019 mainly due to the interest of a new term loan of RM19.0 million which was drawn down in August 2018.

### ***Profit before tax***

Our profit before tax increased by approximately RM3.1 million or 29.0% from approximately RM10.6 million for the nine months ended 30 September 2018 to approximately RM13.6 million for the nine months ended 30 September 2019. Such increase was primarily due to an increase in gross profit in an approximate sum of RM4.3 million offset by an increase of administrative expense of approximately RM1.1 million.

### ***Income tax expense***

Our income tax expense increased from approximately RM3.3 million for the nine months ended 30 September 2018 to approximately RM4.3 million for the nine months ended 30 September 2019. Such increase was mainly due to the increase of profit before tax of approximately RM3.1 million and increase of Listing expenses of approximately RM0.5 million which are non-deductible expenses.

### ***Profit for the period***

Our profit for the period increased by approximately RM2.0 million or 27.3% from approximately RM7.3 million for the nine months ended 30 September 2018 to approximately RM9.3 million for the nine months ended 30 September 2019 mainly due to the reason as mentioned above.

## **LIQUIDITY AND CAPITAL RESOURCES**

During the Track Record Period, our principal sources of liquidity and capital resources have been, and are expected to continue to be, cash flow from operating activities. Our principal uses of cash have been, and we expect will continue to be, for the funding of required working capital to support the increase in our scale of operations and our capital expenditure needs. We plan to fund our future business plans, capital expenditures and related expenses as described in this prospectus with cash from operating activities and the net proceeds from the Listing.

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The following table is a summary of our consolidated statements of cash flows for the years/period indicated:

	Year ended 31 December			Nine months ended	
	2016	2017	2018	30 September 2018	2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Cash flow from operations					
before movements in working capital					
Changes in working capital	13,757	17,520	19,356	12,821	16,105
Income tax paid	2,700	(6,911)	(5,349)	(2,000)	(5,890)
	<u>(3,578)</u>	<u>(3,528)</u>	<u>(4,727)</u>	<u>(3,707)</u>	<u>(4,224)</u>
Net cash from operating activities	12,879	7,081	9,280	7,114	5,991
Net cash (used in)/from investing activities	(4,570)	(4,778)	6,709	5,909	(1,217)
Net cash (used in)/from financing activities	<u>(470)</u>	<u>(5,593)</u>	<u>(3,757)</u>	<u>3,865</u>	<u>(2,262)</u>
Net change in cash and cash equivalents	7,839	(3,290)	12,232	16,888	2,512
Cash and cash equivalents at beginning of the reporting period	<u>1,570</u>	<u>9,409</u>	<u>6,119</u>	<u>6,119</u>	<u>18,351</u>
Cash and cash equivalents at end of the reporting period	<u><u>9,409</u></u>	<u><u>6,119</u></u>	<u><u>18,351</u></u>	<u><u>23,007</u></u>	<u><u>20,863</u></u>

### Net cash from operating activities

Our cash generated from operating activities are principally derived from the receipt of payments for the provision of our services. Our cash used in operating activities is principally attributable to cost paid for postage, purchase of materials and staff cost.

For the year ended 31 December 2016, we had a net cash generated from operating activities of approximately RM12.9 million, primarily contributed by the operating cash flow before movements in working capital of approximately RM13.8 million and net positive changes in working capital of approximately RM2.7 million and partially offset by the income tax paid of approximately RM3.6 million. The net positive change in working capital was primarily attributable to the effect arising from the decrease in trade receivables of approximately RM2.4 million and increase in other payables and accruals of approximately RM0.6 million, offset by decrease in trade payables of approximately RM0.3 million.

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For the year ended 31 December 2017, we had a net cash generated from operating activities of approximately RM7.1 million, primarily contributed by the operating cash flow before movements in working capital of approximately RM17.5 million and partially offset by the net negative changes in working capital of approximately RM6.9 million and income tax paid of approximately RM3.5 million. The net negative change in working capital was primarily attributable to the effect arising from increase in trade receivables of approximately RM4.6 million and decrease in trade payables of approximately RM1.6 million and decrease in other payables and accruals of approximately RM1.1 million, offset by decrease in prepayments, deposits and other receivables of approximately RM0.4 million. For details of movement of trade and other receivables and trade and other payables, please refer to “Net Current Assets” under this section.

For the year ended 31 December 2018, we had a net cash generated from operating activities of approximately RM9.3 million, primarily contributed by the operating cash flow before movements in working capital of approximately RM19.4 million and partially offset by the net negative changes in working capital of approximately RM5.3 million and income tax paid of approximately RM4.7 million. The net negative change in working capital was primarily attributable to the effect arising from increase in trade receivables of approximately RM3.8 million, increase in prepayments, deposits and other receivables of approximately RM1.4 million and decrease in trade payables of approximately RM1.5 million, offset by increase in other payables and accrual of approximately RM1.4 million. For details of movement of trade and other receivables and trade and other payables, please refer to “Net Current Assets” under this section.

For the nine months ended 30 September 2018, we had a net cash generated from operating activities of approximately RM7.1 million, primarily contributed by the operating cash flow before movements in working capital of approximately RM12.8 million and partially offset by the net negative changes in working capital of approximately RM2.0 million and income tax paid of approximately RM3.7 million. The net negative change in working capital was primarily attributable to the effect arising from increase in prepayments, deposits and other receivables of approximately RM0.9 million and decrease in trade payables of approximately RM1.9 million, offset by increase in other payables and accruals of approximately RM0.6 million.

For the nine months ended 30 September 2019, we had a net cash generated from operating activities of approximately RM6.0 million, primarily contributed by the operating cash flow before movements in working capital of approximately RM16.1 million and partially offset by the net negative changes in working capital of approximately RM5.9 million and income tax paid of approximately RM4.2 million. The net negative change in working capital was primarily attributable to the effect arising from increase in trade receivables of approximately RM2.5 million, increase in prepayments, deposits and other receivables of approximately RM1.9 million and decrease in other payables and accruals of approximately RM1.6 million. For details of movement of trade and other receivables and trade and other payables, please refer to “Net Current Assets” under this section.

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## FINANCIAL INFORMATION

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### **Net cash (used in)/from investing activities**

Our cash used in investing activities during the Track Record Period mainly consist of purchases of property, plant and equipment, additions to intangible assets, interest received and increase/decrease in amounts due from related parties.

For the year ended 31 December 2016, we had a net cash used in investing activities of approximately RM4.6 million, primarily attributable to purchases of property, plant and equipment of approximately RM2.5 million, additions to intangible assets of approximately RM0.9 million, and increase in amounts due from related parties of approximately RM1.3 million.

For the year ended 31 December 2017, we had a net cash used in investing activities of approximately RM4.8 million, primarily attributable to purchases of property, plant and equipment of approximately RM2.6 million, additions to intangible assets of approximately RM0.9 million, and increase in amounts due from related parties of approximately RM1.5 million.

For the year ended 31 December 2018, we had a net cash from investing activities of approximately RM6.7 million, primarily attributable to decrease in amounts due from related parties of approximately RM8.3 million, offset by purchase of property, plant and equipment of approximately RM0.7 million and additions to intangible asset of approximately RM1.2 million.

For the nine months ended 30 September 2018, we had a net cash from investing activities of approximately RM5.9 million, primarily attributable to decrease in amounts due from related parties of approximately RM7.4 million, offset by purchase of property, plant and equipment of approximately RM0.7 million and additions to intangible asset of approximately RM0.9 million.

For the nine months ended 30 September 2019, we had a net cash used in investing activities of approximately RM1.2 million, primarily attributable to purchase of property, plant and equipment of approximately RM0.2 million, additions to intangible asset of approximately RM1.0 million, increase in amounts due from related parties of approximately RM0.3 million, offset by interest received of approximately RM0.3 million.

### **Net cash used in financing activities**

Our net cash used in financing activities during the Track Record Period mainly consist of new bank borrowings, repayment of bank borrowings, repayment of lease liabilities, dividend paid and interest paid.

For the year ended 31 December 2016, we had a net cash used in financing activities of approximately RM0.5 million, primarily attributable to repayment of bank borrowings of approximately RM96,000, repayment of lease liabilities of approximately RM104,000 dividend paid of RM250,000 and interest paid of approximately RM20,000.

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For the year ended 31 December 2017, we had a net cash used in financing activities of approximately RM5.6 million, primarily attributable to repayment of lease liabilities of approximately RM82,000 dividend paid of RM5.5 million and interest paid of approximately RM11,000.

For the year ended 31 December 2018, we had a net cash used in financing activities of approximately RM3.8 million, primarily attributable to dividend paid of RM21.8 million, repayment of bank borrowings of approximately RM0.4 million, repayment of lease liabilities of approximately RM51,000 and interest paid of approximately RM0.3 million, offset by new bank borrowings of approximately RM18.8 million.

For the nine months ended 30 September 2018, we had a net cash from financing activities of approximately RM3.9 million, primarily attributable to new bank borrowings of approximately RM18.8 million, offset by dividend paid of RM14.8 million.

For the nine months ended 30 September 2019, we had a net cash used in financing activities of approximately RM2.3 million, primarily attributable to repayment of bank borrowings of approximately RM1.5 million, repayment of lease liabilities of approximately RM0.1 million and interest paid of approximately RM0.7 million.

### CAPITAL EXPENDITURES

#### Historical capital expenditures

Our capital expenditures during the Track Record Period primarily comprised expenditures on leasehold improvements, plant and machinery, furniture, fixture and office equipment, motor vehicles and construction in progress and additions to intangible assets. The following table sets forth our capital expenditures by nature during the Track Record Period.

	For the year ended 31 December			For nine months ended
	2016	2017	2018	30 September
	(RM'000)	(RM'000)	(RM'000)	2019
				(RM'000)
Additions to leasehold improvements	96	213	64	–
Purchase of plant and machinery	788	162	–	18
Purchase of furniture, fixture and office equipment	781	520	594	206
Purchase of motor vehicles	–	11	–	–
Additions to construction in progress	819	1,703	–	–
Additions to intangible assets	896	861	1,219	986
<b>Total</b>	<b>3,380</b>	<b>3,470</b>	<b>1,877</b>	<b>1,210</b>



## FINANCIAL INFORMATION

### Planned capital expenditures

For our planned capital expenditures, please refer to the section headed “Future Plans and Proposed Use of Proceeds” in this prospectus.

### Property, plant and equipment

The following table sets out the respective carrying amounts of our Group’s property, plant and equipment as at the respective dates indicated:

	Right of use assets		Owned assets						
	Leasehold land (RM'000)	Office premises (RM'000)	Building (RM'000)	Leasehold improvements (RM'000)	Plant and machinery (RM'000)	Furniture, fixtures and office equipment (RM'000)	Motor vehicles (RM'000)	Construction in progress (RM'000)	Total (RM'000)
As at 31 December 2016	3,261	415	4,435	3,425	2,715	1,285	88	819	16,443
As at 31 December 2017	3,220	356	4,335	3,201	1,348	1,962	65	1,785	16,272
As at 31 December 2018	3,172	297	4,235	2,815	633	2,913	35	780	14,880
As at 30 September 2019	3,141	253	4,160	2,484	865	2,587	17	–	13,507

As shown in the table above, our Group’s property, plant and equipment primarily consists of land and buildings, leasehold improvements, plant and machinery, furniture, fixtures and office equipment, motor vehicles and construction in progress.

The carrying amounts of the property, plant and equipment maintained at a similar level of approximately RM16.4 million and RM16.3 million as at 31 December 2016 and 2017, respectively. The decrease in the carrying amounts of the property, plant and equipment to approximately RM14.9 million as at 31 December 2018 and approximately RM13.5 million as at 30 September 2019 was mainly due to the depreciation.

### Intangible assets

Our Group’s intangible assets includes Streamline OMS, EDW, DMS phase I and DMS phase II. Further details about these three intangible assets have been disclosed in the section headed “Business – Our Business Model – Our Streamline Suite” of this prospectus.

Development costs represented costs incurred at the development phase of certain new technologies, which are capitalised and amortised in accordance with the accounting policies set out in Note 4 of the Accountants’ Report in Appendix I of this prospectus.

We carried out the impairment testing for intangible assets not yet available for use as at the respective reporting dates, irrespective of whether there is any indicator of impairment. For fully developed intangible assets with five years useful life, given that there are no indicators of impairments on intangible assets as at the end of each Track Record Period. Hence, no further impairment assessment above recoverable amount is carried out.

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The carrying amount of our Group's internally developed technologies was approximately RM1.6 million, RM2.1 million, RM2.8 million and RM3.3 million as at 31 December 2016, 2017 and 2018 and 30 September 2019, respectively. The increase in carrying amount was due to continuous development of our Streamline software including Streamline EDW, DMS phase I and DMS phase II.

As at 31 December 2016, Streamline OMS, which has carrying amount of approximately RM0.7 million is available for use while Streamline EDW with carrying amount of approximately RM0.9 million is under development. As at 31 December 2017, Streamline OMS and EDW with carrying amounts of approximately RM0.5 million and RM1.2 million, respectively, are available for use while Streamline DMS phase I with carrying amount of approximately RM0.4 million is under development. As at 31 December 2018, Streamline OMS, EDW and DMS phase I with carrying amounts of approximately RM0.3 million, RM0.9 million and RM1.1 million, respectively, are available for use while Streamline DMS phase II with carrying amount of approximately RM0.4 million is under development. As at 30 September 2019, Streamline OMS, EDW and DMS phase I with carrying amounts of approximately RM0.2 million, RM0.7 million and RM0.9 million, respectively, are available for use while Streamline DMS phase II with carrying amount of approximately RM1.4 million is under development.

Our Directors assessed the recoverable amount, based on value in use calculation using cash flow projections based on financial budgets covering a five-year period, of the intangible assets not yet available for use at the end of each Track Record Period and determined that no impairment loss was recognised for the Track Record Period as the recoverable amounts exceeded their carrying amounts. The key assumptions for each intangible asset not yet available for use are as follows:

***Streamline EDW (applicable to the financial year as at 31 December 2016)***

Key assumptions:	Budgeted		
	Growth rate	gross margin	Discount rate
	11.1%	85.1%	15.0%

Growth rate	–	Growth rate is based on management expectation of the long-term forecast growth rate of the industry with reference to external industry report.	
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Budgeted gross margin	–	Budgeted gross margin represents the margin for expected contracts that can be secured by our Group for streamline EDW which ranged from 80% to 90%, and expected market development. Management expects that the potential contracts secured in the future would be able to achieve an average gross margin of 85.1%.
Discount rate	–	Pre-tax discount of 15% is used and reflects specific risks and are determined by reference to the discount rate for the industry.
Business development	–	There will be no major changes in the existing political, legal and economic conditions in Malaysia.

Based on the result of the impairment testing, the estimated recoverable amount and headroom of Streamline EDW is approximately RM2.2 million and RM1.3 million, respectively.

The following sensitivity analysis illustrates the impact of hypothetical increase of pre-tax discount rate by 1% or decrease of our growth rate by 1% on the headroom:

Had the assumptions changed as below, the headroom would decrease by:

	<i>(RM'000)</i>
Pre-tax discount rate increased by 1%	45
Growth rate decreased by 1%	35

Even if the growth rate decreased to 0%, the recoverable amount of the Streamline EDW not yet available for use would still exceed its carrying amount. An increase in the pre-tax discount rate to 70% would remove the remaining headroom.

***Streamline DMS phase I (applicable to the financial year as at 31 December 2017)***

Key assumptions:	Growth rate	Budgeted	Discount rate
		gross margin	
	11.1%	85.1%	15.0%
Growth rate	–	Growth rate is based on management expectation of the long-term forecast growth rate of the industry with reference to external industry report.	

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Budgeted gross margin	–	Budgeted gross margin represents the performance of our Group and expected market development. Management expects that the gross margin will be able to achieve an average of 85.1%.
Discount rate	–	Pre-tax discount of 15% is used and reflects specific risks and are determined by reference to the discount rate for the industry.
Business development	–	There will be no major changes in the existing political, legal and economic conditions in Malaysia.

Based on the result of the impairment testing, the estimated recoverable amount and headroom of Streamline DMS phase I is approximately RM1.9 million and RM1.5 million, respectively.

The following sensitivity analysis illustrates the impact of hypothetical increase of pre-tax discount rate by 1% or decrease of our growth rate by 1% on the headroom:

Had the assumptions changed as below, the headroom would decrease by:

(RM'000)

Pre-tax discount rate increased by 1%	22
Growth rate decreased by 1%	38

Even if the growth rate decreased to 0%, the recoverable amount of the streamline DMS phase I not yet available for use would still exceed its carrying amount. An increase in the pre-tax discount rate over 100% would remove the remaining headroom.

***Streamline DMS phase II (applicable to the financial year/period as at 31 December 2018 and 30 September 2019)***

Key assumptions:	Budgeted		
	Growth rate	gross margin	Discount rate
	11.1%	85.1%	15.0%
Growth rate	–	Growth rate is based on management expectation of the long-term forecast growth rate of the industry with reference to external industry report.	

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Budgeted gross margin	–	Budgeted gross profit margin represents the past performance of the Group and expected market development.
Discount rate	–	Pre-tax discount of 15% is used and reflects specific risks and are determined by reference to the discount rate for industry.
Business development	–	There will be no major changes in the existing political, legal and economic conditions in Malaysia.

Based on the results of the impairment testing, the estimated recoverable amounts and headroom of Streamline DMS phase II are approximately RM1.0 million and RM0.6 million, respectively, as at 31 December 2018 and are approximately RM1.7 million and RM0.3 million, respectively, as at 30 September 2019.

The following sensitivity analysis illustrates the impact of hypothetical increase of pre-tax discount rate by 1% or decrease of our growth rate by 1% on the headroom:

Had the assumptions changed as below, the headroom would decrease by:

	<b>31 December 2018 (RM'000)</b>	<b>30 September 2019 (RM'000)</b>
Pre-tax discount rate increased by 1%	28	43
Growth rate decreased by 1%	21	21

Even if the growth rate decreased to 0%, the recoverable amount of the Streamline DMS phase II not yet available for use would still exceed its carrying amount as at 31 December 2018 and 30 September 2019. An increase in the pre-tax discount rate to 49% and 22%, respectively, would remove the remaining headroom as at 31 December 2018 and 30 September 2019.

Based on the result of the sensitivity analysis above, our Directors considered that there is no reasonable possible change in any of the key assumptions that would cause the carrying amounts of the respective intangible assets that are not yet available for use as at the end of each reporting period to exceed their recoverable amounts.

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## FINANCIAL INFORMATION

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### CAPITAL AND CONTRACTUAL COMMITMENTS

We had no material capital commitments as at 31 December 2016, 2017 and 2018 and 30 September 2019.

### NET CURRENT ASSETS

We recorded net current assets of approximately RM23.9 million, RM14.6 million, RM34.6 million, RM43.1 million and RM44.4 million as at 31 December 2016, 2017 and 2018, 30 September 2019 and 31 January 2020, respectively. The following table sets out details of our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 September	As at 31 January
	2016	2017	2018	2019	2020
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<b>Current assets</b>					
Trade receivables	9,864	14,484	18,297	20,781	19,786
Prepayments, deposits and other receivables	1,537	1,128	2,512	4,436	4,910
Due from related parties	12,400	13,717	3,375	3,718	3,893
Cash and cash equivalents	<u>9,409</u>	<u>6,123</u>	<u>18,351</u>	<u>20,863</u>	<u>24,992</u>
Total current assets	<u>33,210</u>	<u>35,452</u>	<u>42,535</u>	<u>49,798</u>	<u>53,581</u>
<b>Current liabilities</b>					
Trade payables	4,219	2,621	1,097	1,200	1,094
Other payables and accruals	3,407	2,305	3,677	2,080	2,073
Dividend payable	500	14,800	–	–	–
Interest-bearing bank and other borrowings	195	164	2,042	2,162	4,593
Income tax payables	<u>952</u>	<u>984</u>	<u>1,153</u>	<u>1,247</u>	<u>1,399</u>
Total current liabilities	<u>9,273</u>	<u>20,874</u>	<u>7,969</u>	<u>6,689</u>	<u>9,159</u>
<b>Net current assets</b>	<u><u>23,937</u></u>	<u><u>14,578</u></u>	<u><u>34,566</u></u>	<u><u>43,109</u></u>	<u><u>44,422</u></u>

Our current assets primarily consist of trade receivables, prepayments, deposits and other receivables, due from related parties and cash and cash equivalents. Our current liabilities primarily consist of trade payables, other payables and accruals, dividend payable, interest-bearing bank and other borrowings and income tax payables.

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Our net current assets decreased from approximately RM23.9 million as at 31 December 2016 to approximately RM14.6 million as at 31 December 2017. The decrease was primarily attributable to an increase in dividend payable.

As at 31 December 2018, our net current assets increased to approximately RM34.6 million. Such increase was primarily attributable to increase of cash and bank balances as a result of drawdown of a bank loan of RM19.0 million and a decrease in dividend payable, which was partially offset by the decrease of amounts due from related parties.

As at 30 September 2019, our net current assets increased to approximately RM43.1 million mainly due to the increase in trade receivables and prepayments, deposits and other receivables, cash and cash equivalents and decrease in other payables and accruals.

As at 31 January 2020, our net assets maintained at a similar level of approximately RM44.4 million.

### Trade receivables

The following table sets out our trade and other receivables as at the dates indicated:

	As at 31 December		As at 30 September	
	2016	2017	2018	2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Trade receivables	10,118	14,953	18,893	21,596
Impairment	(254)	(469)	(596)	(815)
	<u>9,864</u>	<u>14,484</u>	<u>18,297</u>	<u>20,781</u>

Our Group's trading terms with its customers are mainly on credit. The credit period is generally one month, extending up to two months for certain customers. Our Group seeks to maintain strict control over its outstanding receivables and has a credit policy to minimise credit risk. Overdue balances are reviewed regularly by senior management. Our Group has provided for impairment losses on trade receivables based on past experience of collecting payments.

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Our trade receivables increased from approximately RM9.9 million as at 31 December 2016 to approximately RM14.5 million as at 31 December 2017 mainly due to the delay in payment from certain customers due to their longer internal approval process. Our trade receivables further increased to approximately RM18.3 million as at 31 December 2018 mainly due to change in key personnel of certain customer who is in charge of reviewing the invoices and upgrade of internal supplier payment system of certain customer. Our trade receivables increased to approximately RM20.8 million as at 30 September 2019 mainly due to the amounts due from two customers in Singapore for enterprise software solution services.

The table below sets out our average trade receivable turnover days for the relevant years indicated:

	Year ended 31 December		Nine months ended	
	2016	2017	2018	30 September 2019
Average trade receivable turnover days ( <i>Note</i> )	<u>59</u>	<u>63</u>	<u>89</u>	<u>98</u>

*Note:* Average trade receivable turnover days is calculated as the average of the beginning and ending trade receivable balances for the year/period, divided by the revenue for that year/period, multiplied by 365 days/273 days.

The average trade receivables turnover days were approximately 59 days, 63 days, 89 days and 98 days for each of the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2019, respectively. Our average trade receivables turnover days increased to approximately 63 days for the year ended 31 December 2017 mainly due to increase of trade receivable balance due to the reason mentioned above and further increased to approximately 89 days for the year ended 31 December 2018 mainly due to the decrease of revenue for the year ended 31 December 2018 while our trade receivable balance increased as at 31 December 2018 due to the reason mentioned above. Our average trade receivables turnover days increased to approximately 98 days for the nine months ended 30 September 2019 mainly due to increase of trade receivable balance due to the reason mentioned above.



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### *Ageing analysis*

The ageing analysis of trade receivables based on invoice date and net of loss allowance at the end of each reporting period is as follows:

	As at 31 December		As at 30 September	
	2016	2017	2018	2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Within one month	6,816	8,893	6,498	5,083
One to two months	1,800	2,741	4,768	4,516
Two to three months	814	1,588	2,967	3,256
Over three months	434	1,262	4,064	7,926
	<u>9,864</u>	<u>14,484</u>	<u>18,297</u>	<u>20,781</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December		As at 30 September	
	2016	2017	2018	2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
At beginning of year/period	229	254	469	596
Impairment losses, net	<u>25</u>	<u>215</u>	<u>127</u>	<u>219</u>
At end of year/period	<u>254</u>	<u>469</u>	<u>596</u>	<u>815</u>

Our Group has applied the simplified approach to providing allowance for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the ECLs, the trade receivables have been grouped based on shared credit risk characteristics and the days past due. ECLs are estimated based on historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions. During the Track Record Period, our Group considered the historical loss rate and adjusted for forward looking macroeconomic data in calculating the expected credit loss rate.

As at 31 December 2016, 2017 and 2018 and 30 September 2019, we had trade receivables amounting to approximately RM3.2 million, RM5.7 million, RM11.6 million and RM13.9 million, respectively, which were past due but not impaired. Trade receivables that were past due but not impaired related to a number of independent customers that had a good track record with our Group. Based on past experience, our Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality of trade receivables.

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As at the Latest Practicable Date, approximately RM16.4 million or 78.9% of the trade receivables as at 30 September 2019 have been settled.

### Prepayments, deposits and other receivables

The following table sets out our prepayments, deposits and other receivables as at the dates indicated:

	As at 31 December		As at
	2016	2017	30 September
	(RM'000)	(RM'000)	2019
			(RM'000)
Prepayments	–	–	1,388
Deposits and other receivables	1,537	1,128	1,124
	<u>1,537</u>	<u>1,128</u>	<u>1,857</u>
	<u>1,537</u>	<u>1,128</u>	<u>2,512</u>
			<u>4,436</u>

Our prepayments as at 31 December 2018 and 30 September 2019 mainly represented prepayment for listing expenses. Our deposits and other receivables mainly represented deposit for postage services of our Supplier A, rental and utilities deposit, GST receivable from customers and GST recoverable from Royal Malaysian Customs Department (the “**RMCD**”) for input GST of Coeus Systems for intercompany transactions between Coeus Systems and Compugraphic Media. The decrease in deposits and other receivables from approximately RM1.5 million as at 31 December 2016 to approximately RM1.1 million as at 31 December 2017 was mainly due to the decrease in GST receivable from customers of approximately RM0.4 million as a result of payment of GST by such customers during 2017.

RMCD conducted a routine GST audit on Compugraphic Media for the taxable period from 1 April 2015 to 31 July 2016 and Coeus Systems for the taxable period from 1 April 2015 to 31 August 2016 in September 2016. According to letters from RMCD addressed to Compugraphic Media and Coeus Systems dated 1 November 2016 and 5 November 2016 (the “**Letters**”), Compugraphic Media underpaid GST amounting to approximately RM1.9 million and Coeus Systems underpaid GST amounting to approximately RM0.5 million. Our Directors advised that the underpayment was mainly due to the GST of postage services. After the GST audit, we charged back the GST of postage services to our customers except Customer Group A and recognised these amounts as GST receivable from customers. Our Directors advised that the amount shown on invoice issued to Customer A is the final amount and no additional charges shall be made according to our master agreement with Customer A. Therefore, we did not charge back to Customer Group A and absorbed the GST of the relevant invoices by ourselves.

Our Group repaid the GST underpayment amount by monthly instalments as agreed by RMCD and the amount was fully settled in October 2018.

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During the above mentioned taxable period, there were certain intercompany transactions where the mailing requirements for customers who had entered into contracts with Coeus Systems were sub-contracted to Compugraphic Media as one of the functions of Compugraphic Media is to centralise the Group's mailing requirements. Despite these being intercompany transactions, these were services provided which were subject to GST. Compugraphic Media has paid the underpayment of GST to RMCD for those postage services provided to Coeus Systems.

However, after the GST audit, our Group did not realise that Compugraphic Media should charge back the GST to Coeus Systems and that it would constitute the input GST of Coeus Systems, which is refundable from RMCD. Upon the advice given by our tax adviser in 2018, Compugraphic Media charged back the GST of the postage services to Coeus Systems and Coeus Systems in turn recognised a GST receivable from RMCD for the input GST of approximately RM0.6 million. Our Group made an application to the RMCD for the reimbursement of such input GST in January 2019 and as at the Latest Practicable Date, we have been informed by the RMCD that the application is being processed.

For details of the underpayment of GST, please refer to paragraph "Underpayment of GST" under "Business" section.

Pursuant to the Goods and Services Tax (Rate of Tax) (Amendment) Order 2018 which came into operation on 1 June 2018, the rate of tax was revised from 6% to 0%. As such, the Companies will not be liable to pay any GST from June 2018 onwards.

Our deposits and other receivables maintained at a similar level of approximately RM1.1 million as at 31 December 2017 and 2018. Our deposits and other receivables increased to approximately RM1.9 million as at 30 September 2019 mainly due to the increase of deposit for postage services of our Supplier A.

### Due from related parties

The following table sets out amounts due from related parties as at the dates included:

	As at 31 December		As at 30 September	
	2016	2017	2018	2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Mr. F Ling	8,891	9,621	2,820	3,203
Mr. W Ling	3,509	4,096	496	498
Choice Comm Sdn. Bhd.	–	–	48	6
Compugraphic Forms Sdn. Bhd.	–	–	11	11
	<u>12,400</u>	<u>13,717</u>	<u>3,375</u>	<u>3,718</u>

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## FINANCIAL INFORMATION

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The amounts due from Mr. F Ling and Mr. W Ling are non-trade in nature, unsecured, interest-free and repayable on demand. During the year ended 31 December 2016, the maximum amount due from Mr. F Ling and Mr. W Ling was approximately RM8.9 million and RM3.5 million, which is the same amount as the outstanding balance due from the respective Directors as at 31 December 2016.

During the year ended 31 December 2017, the maximum amount due from Mr. F Ling and Mr. W Ling was approximately RM9.6 million and RM4.1 million respectively, which are the same amount as the outstanding balance due from the respective Directors as at 31 December 2017.

During the year ended 31 December 2018, the maximum amount due from Mr. F Ling and Mr. W Ling was approximately RM9.6 million and RM4.1 million, respectively.

During the nine months ended 30 September 2019, the maximum amount due from Mr. F Ling and Mr. W Ling was approximately RM3.2 million and RM0.5 million, respectively, which are the same amount as the outstanding balance due from the respective Directors as at 30 September 2019.

Choice Comm Sdn. Bhd. is a company wholly owned by Mr. F Ling and Mr. W Ling and is principally engaged in designing and printing various print media. The amount due from Choice Comm Sdn. Bhd. and Compugraphic Forms Sdn. Bhd. are non-trade in nature, interest-free, unsecured and repayable on demand.

The amounts due from related parties will be settled before the Listing.

### Trade payables

The following table sets out our trade payables as at the dates indicated:

	As at 31 December		As at 30 September	
	2016	2017	2018	2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Trade payables to third parties	3,034	1,458	865	920
Trade payables to related parties	<u>1,185</u>	<u>1,163</u>	<u>232</u>	<u>280</u>
	<u>4,219</u>	<u>2,621</u>	<u>1,097</u>	<u>1,200</u>

Our Company had trade payables to third parties of approximately RM3.0 million, RM1.5 million, RM0.9 million and RM0.9 million as at 31 December 2016, 2017 and 2018 and 30 September 2019, respectively. The trade payables primarily comprised amount due to our suppliers for purchase of printing materials and consumables.

## FINANCIAL INFORMATION

The following table sets out our trade payables to related parties as at the dates indicated:

	As at 31 December		As at
	2016	2017	30 September
	(RM'000)	(RM'000)	2019
			(RM'000)
Compugraphic Forms Sdn. Bhd.	471	364	195
Choice Comm Sdn. Bhd.	714	799	37
	<u>1,185</u>	<u>1,163</u>	<u>232</u>
			<u>280</u>

Our Group had trade payables to related parties of approximately RM1.2 million, RM1.2 million, RM0.2 million and RM0.3 million as at 31 December 2016, 2017 and 2018 and 30 September 2019, respectively. Our trade payables to Compugraphic Forms Sdn. Bhd. mainly represented amounts payable for the purchase of printing materials such as paper and envelopes. Our trade payables to Choice Comm Sdn. Bhd. mainly represented amounts payable for the purchase of design services. For details of the purchase amount from related parties during Track Record Period, please refer to paragraph headed “Related Parties Transactions” under this section.

At the end of each reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 31 December		As at
	2016	2017	30 September
	(RM'000)	(RM'000)	2019
			(RM'000)
Within one month	2,168	933	445
One to two months	778	690	393
Two to three months	142	–	20
Over three months	<u>1,131</u>	<u>998</u>	<u>239</u>
	<u>4,219</u>	<u>2,621</u>	<u>1,097</u>
			<u>1,200</u>

The credit term on trade payables is generally 30 days. Our trade payables decreased from approximately RM4.2 million as at 31 December 2016 to approximately RM2.6 million as at 31 December 2017 and further decreased to approximately RM1.1 million as at 31 December 2018 mainly due to the decrease of purchase of printing materials and consumables and the prompt payment to our suppliers. Our trade payables maintained at a similar level of approximately RM1.2 million as at 30 September 2019.

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The table below sets out our average trade payable turnover days for the relevant years and period indicated:

	Year ended 31 December		Nine months ended 30 September	
	2016	2017	2018	2019
Average trade payable turnover days ( <i>Note</i> )	<u>31</u>	<u>25</u>	<u>17</u>	<u>10</u>

*Note:* Average trade payable turnover days is calculated as the average of the beginning and ending trade payable balances for the year/period, divided by the cost of sales for that year/period, multiplied by 365 days/273 days.

The average trade payable turnover days was approximately 31 days, 25 days and 17 days for each of the years ended 31 December 2016, 2017 and 2018, respectively. The continuous decrease of our trade payables turnover days was mainly attributable to the decrease of trade payables as mentioned above. The average trade payable turnover days decreased to approximately 10 days for the nine months ended 30 September 2019 mainly due to high beginning trade payable balance for the year ended 31 December 2018.

As at the Latest Practicable Date, approximately 95.8% of the trade payables as at 30 September 2019 have been settled.

### Other payables and accruals

The following table sets out our other payables and accruals as at the dates indicated:

	As at 31 December		As at 30 September	
	2016	2017	2018	2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Other payables	3,238	2,117	1,205	1,003
Accruals	169	188	2,392	1,009
Interest payables	<u>–</u>	<u>–</u>	<u>80</u>	<u>68</u>
	<u>3,407</u>	<u>2,305</u>	<u>3,677</u>	<u>2,080</u>

## FINANCIAL INFORMATION

Other payables mainly represented GST payables, provision for bonus and other payables. Our other payables decreased from approximately RM3.2 million as at 31 December 2016 to approximately RM2.1 million as at 31 December 2017 and further decreased to approximately RM1.2 million as at 31 December 2018 mainly due to the decrease of GST payable to RMCD due to our continuous monthly payment for the underpayment amount of GST audit as we mentioned under paragraph headed “Prepayments, deposits and other receivables” under this section. Our other payables decreased to approximately RM1.0 million as at 30 September 2019 mainly due to the decrease of provision for bonus as only nine months of bonus had been provided for the nine months ended 30 September 2019.

Accruals mainly represented accruals of audit fee, staff costs and listing expenses. Our accruals maintained at a similar level of approximately RM0.2 million as at 31 December 2016 and 2017. Our accruals increased to approximately RM2.4 million as at 31 December 2018 mainly due to accrual for listing expenses of approximately RM2.2 million. Our accruals decreased to approximately RM1.0 million as at 30 September 2019 mainly due to the decrease of accrual for listing expenses.

### INDEBTEDNESS

The following table sets out our Group’s indebtedness as at 31 December 2016, 31 December 2017, 31 December 2018, 30 September 2019 and 31 January 2020, being the latest practicable date for determining our Group’s indebtedness:

	As at 31 December		As at	As at
	2016	2017	30 September	31 January
	(RM'000)	(RM'000)	2019	2020
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<b>Current liabilities</b>				
Bank overdrafts	–	4	–	–
Bank loan	–	–	1,975	2,127
Other borrowings	134	128	–	–
Lease liabilities	<u>61</u>	<u>32</u>	<u>67</u>	<u>2,466</u>
	<u>195</u>	<u>164</u>	<u>2,162</u>	<u>4,593</u>
<b>Non-current liabilities</b>				
Bank loan	–	–	16,431	14,091
Other borrowings	1,916	1,789	–	–
Lease liabilities	<u>404</u>	<u>372</u>	<u>305</u>	<u>1,602</u>
	<u>2,320</u>	<u>2,161</u>	<u>15,063</u>	<u>15,693</u>
	<u>2,515</u>	<u>2,325</u>	<u>17,225</u>	<u>20,286</u>

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### Bank overdrafts

As at 31 December 2016, 2017 and 2018, 30 September 2019 and 31 January 2020, our Group had bank overdrafts of nil, approximately RM4,000, nil, nil and nil. The interest rate of bank overdrafts as at 31 December 2017 is 7.65% per annum.

### Bank loan and other borrowings

The following table sets out our bank loan as at the respective dates:

	As at 31 December			As at 30 September	As at 31 January
	2016	2017	2018	2019	2020
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Bank loan (secured)	<u>-</u>	<u>-</u>	<u>18,406</u>	<u>16,903</u>	<u>16,218</u>
Carrying amounts of bank loan that are repayable					
Within one year	-	-	1,975	2,092	2,127
One to two years	-	-	2,075	2,196	2,230
Two to five years	-	-	6,891	7,249	7,366
Over five years	<u>-</u>	<u>-</u>	<u>7,465</u>	<u>5,366</u>	<u>4,495</u>
	<u>-</u>	<u>-</u>	<u>18,406</u>	<u>16,903</u>	<u>16,218</u>

The following table sets out our other borrowings as at the respective dates:

	As at 31 December			As at 30 September	As at 31 January
	2016	2017	2018	2019	2020
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Other borrowings (secured)	<u>2,050</u>	<u>1,917</u>	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amounts of other borrowings that are repayable					
Within one year	134	128	-	-	-
One to two years	141	147	-	-	-
Two to five years	468	495	-	-	-
Over five years	<u>1,307</u>	<u>1,147</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,050</u>	<u>1,917</u>	<u>-</u>	<u>-</u>	<u>-</u>



## FINANCIAL INFORMATION

Set out below is a breakdown of utilised and unutilised bank borrowing facilities of our Group:

	As at 31 December			As at 30 September	As at 31 January
	2016	2017	2018	2019	2020
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Total bank borrowing facilities granted to our Group	-	-	18,406	16,903	16,218
Less: Amount of bank borrowing facilities utilised	<u>-</u>	<u>-</u>	<u>18,406</u>	<u>16,903</u>	<u>16,218</u>
Total unutilised bank borrowing facilities	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

*Note: Bank borrowing facilities granted and utilised exclude other borrowings of approximately RM2.1 million and RM1.9 million as at 31 December 2016 and 2017, respectively. For details of the other borrowings, please refer to paragraph below.*

	As at 31 December			As at 30 September	As at 31 January
	2016	2017	2018	2019	2020
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Total bank overdrafts and trade facilities granted to our Group	1,600	1,600	6,068	6,068	6,068
Less: Amount of bank overdrafts and trade facilities utilised	<u>160</u>	<u>164</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total unutilised bank overdrafts and trade facilities	<u><u>1,440</u></u>	<u><u>1,436</u></u>	<u><u>6,068</u></u>	<u><u>6,068</u></u>	<u><u>6,068</u></u>

The bank loan and other borrowing that are not repayable within one year from the end of the reporting period contains a repayment on demand clause.

Our Directors have obtained legal opinion that in accordance with the case laws established in Malaysia, the mere inclusion of a repayment on demand clause in a term loan agreement governed under the laws of Malaysia would not allow the bank to early terminate the facilities granted and to seek immediate repayment from the borrower unless there is a breach by the borrower, as the clause would not override other terms and conditions provided in the term loan agreement.

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Accordingly, the liability associated with the term loan of our Group raised in Malaysia that contained a repayable on demand clause was classified as current and/or noncurrent as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 September 2019 in accordance with other terms and conditions as stated in the respective term loan agreement.

Any change to the precedence established by the case laws in Malaysia relating to the interpretation of the repayment on demand clause in the future may have an impact to the classification of the term loan of our Group.

The other borrowing was obtained in 2007 to finance the acquisition of a residential property owned by the Controlling Shareholders of our Group. Pursuant to the loan agreement, both the Controlling Shareholders (as borrowers) and Compugraphic Media, a wholly-owned subsidiary (as assignor) are jointly liable to repay. The loan is repayable over twenty years and is secured by an open charge over the residential property. The interest rates of the other borrowing as at 31 December 2016, 31 December 2017 was 5.46% to 5.61% per annum and 5.26% to 5.45% per annum, respectively. The remaining balance of the other borrowing was fully paid by our Directors in December 2018.

The bank loan amounting RM19.0 million was drawn down in August 2018 for working capital purpose and is repayable by instalments for 96 months.

As at 31 December 2018, 30 September 2019 and 31 January 2020, the bank loan bore a floating interest rate at the bank's base lending rate minus 2.1% per annum. The interest rates on bank loan as at 31 December 2018, 30 September 2019 and 31 January 2020 are 4.9%, 4.75% and 4.5% per annum, respectively.

The bank loan is secured and guaranteed by:

- (i) pledges of our Group's land and buildings with an aggregate carrying amount of approximately RM7.3 million as at 30 September 2019; and
- (ii) guarantees provided by Mr. F Ling and Mr. W Ling.

The above guarantees will be replaced by the corporate guarantees provided by our Company in favour of the bank in accordance with the terms of the relevant agreements, or the relevant borrowing will be repaid, upon the Listing.

Our Directors confirmed that there were no material covenants or any breach in financial covenants relating to our Group's outstanding borrowings and no material defaults by our Group in the payment of its borrowings during the Track Record Period.

### **Lease liabilities**

The lease liabilities mainly represented lease liabilities payable to Director of the Group. The lease liabilities were approximately RM0.5 million, RM0.4 million, RM0.4 million and RM0.3 million as at 31 December 2016, 2017 and 2018 and 30 September 2019. The lease liabilities increased to approximately RM4.1 million as at 31 January 2020 mainly due to the temporary lease of a third party Tier 3 data centre.

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The following table sets out our lease liabilities as at the respective dates:

	As at 31 December		As at 30 September	As at 31 January
	2016	2017	2018	2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<b>Lease liabilities repayable:</b>				
Within one year or on demand	61	32	67	70
In the second year	34	67	71	73
In the third to fifth years, inclusive	370	305	234	179
Beyond five years	—	—	—	—
	<u>465</u>	<u>404</u>	<u>372</u>	<u>322</u>
	<u>465</u>	<u>404</u>	<u>372</u>	<u>4,068</u>

### CONTINGENT LIABILITIES

There was no outstanding litigation nor any other contingent liabilities as at 31 January 2020, being the latest practicable date for the purpose of the indebtedness statement in this prospectus.

Save as aforesaid or as otherwise disclosed herein, we did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances, or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 31 January 2020, being the latest practicable date for determining our Group's indebtedness.

Our Directors have confirmed that there has not been any material adverse change in our Group's indebtedness and contingent liabilities since 31 January 2020, being the latest practicable date for determining our Group's indebtedness.

### OFF-BALANCE SHEET ARRANGEMENTS

As at Latest Practicable Date, our Directors confirm that we had not entered into any off-balance sheet arrangements.

### RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in Note 30 of Accountants' Report in Appendix I to this prospectus, our Directors are of the view that each of the related party transactions were conducted on an arm's length basis in the ordinary and usual course of business and on normal commercial terms between the relevant parties. Our Directors are of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

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### WORKING CAPITAL

Our Directors are of the opinion that after taking into account the cash flows generated from the operating activities, the existing financial resources available to our Group including internally generated funds, available banking facilities and the estimated net proceeds from the Share Offer, our Group has sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

### FINANCIAL INSTRUMENTS

Our Group's principal financial instruments include interest-bearing bank and other borrowings, trade receivables, deposits and other receivable, trade and other payables, dividend payable, amounts due from related parties and cash and cash equivalents.

### KEY FINANCIAL RATIOS

	Notes	As at 31 December			As at 30 September
		2016	2017	2018	2019
Current ratio ( <i>times</i> )	1	3.6	1.7	5.3	7.4
Gearing ratio (%)	2	6.5	7.7	53.7	38.9
Debt to equity ratio (%)	3	N/A	N/A	1.2	N/A
		Year ended 31 December			Nine months ended
		2016	2017	2018	30 September 2019
Interest coverage ratio ( <i>times</i> )	4	289.1	470.2	41.5	20.6
Return on total assets (%)	5	18.0	20.7	19.6	14.0
Return on equity (%)	6	23.7	37.0	33.7	21.0

*Notes:*

- (1) Current ratio is calculated based on our total current assets divided by our total current liabilities as of the end of each reporting year/period.
- (2) Gearing ratio is calculated based on the total debt divided by the total equity as at the end of the respective year/period and multiplied by 100%. Debts are defined to include payables incurred not in the ordinary course of business.
- (3) Debt to equity ratio is calculated based on the net debt divided by the total equity as at the end of the respective year/period and multiplied by 100%. Net debts are defined to include all borrowings net of cash and cash equivalents.
- (4) Interest coverage ratio is calculated based on profit for the year/period before finance costs and income tax divided by our finance costs for each reporting year/period.

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- (5) Return on total assets is calculated based on profit for the year/period for each reporting period divided by our total assets as of the end of each reporting period and multiplied by 100%.
- (6) Return on equity is calculated based on profit for the year/period for each reporting period divided by our total equity as of the end of each reporting period and multiplied by 100%.

### **Current ratio**

Our current ratio decreased from approximately 3.6 times as at 31 December 2016 to approximately 1.7 times as at 31 December 2017 mainly due to the increase of current liabilities as a result of dividend payable of RM14.8 million. Our current ratio increased to approximately 5.3 times as at 31 December 2018 mainly due to the increase of current assets as a result of increase in cash and cash equivalents of approximately RM12.2 million, offset by decrease in amounts due from related parties of approximately RM10.3 million, and decrease of current liabilities as a result of settlement of dividend payable as at 31 December 2018. Our current ratio increased to approximately 7.4 times as at 30 September 2019 mainly due to the increase of current assets as a result of increase in trade receivables of approximately RM2.5 million, increase in prepayments, deposits and other receivables of approximately RM1.9 million and increase in cash and cash equivalents of approximately RM2.5 million as at 30 September 2019.

### **Gearing ratio**

Our gearing ratio maintained at a low level of approximately 6.5% and 7.7% as at 31 December 2016 and 2017, respectively. Our gearing ratio increased to approximately 53.7% as at 31 December 2018 mainly due to the bank loan of RM19.0 million drawn down in August 2018. Our gearing ratio decreased to approximately 38.9% as at 30 September 2019 mainly due to the repayment of the bank loan during the period.

### **Debt to equity ratio**

Our Group remained at a net cash position as at 31 December 2016 and 2017 and 30 September 2019. Our Group's debt to equity ratio was approximately 1.2% as at 31 December 2018 mainly due to the bank loan of RM19.0 million drawn down in August 2018.

### **Interest coverage ratio**

Our interest coverage ratio increased from approximately 289.1 times for the year ended 31 December 2016 to approximately 470.2 times for the year ended 31 December 2017 mainly due to the increase of profit before tax and finance cost and decrease in finance cost. Our interest coverage ratio decreased to approximately 41.5 times for the year ended 31 December 2018 and further decreased to approximately 20.6 times for the nine months ended 30 September 2019 mainly due to increase of finance cost.

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### Return on total assets

Our return on total assets increased from approximately 18.0% for the year ended 31 December 2016 to approximately 20.7% for the year ended 31 December 2017 mainly due to the increase of net profit. Our return on total assets decreased slightly to approximately 19.6% for the year ended 31 December 2018 mainly due to the increase of total assets as at 31 December 2018. Our return on total assets decreased to approximately 14.0% for the nine months ended 30 September 2019 mainly due to the decrease of net profit as a result of full year effect for the year ended 31 December 2018.

### Return on equity

Our return on equity increased from approximately 23.7% for the year ended 31 December 2016 to approximately 37.0% for the year ended 31 December 2017 mainly due to the decrease of equity as a result of dividend paid. Our return on equity decreased to approximately 33.7% for the year ended 31 December 2018 mainly due to increase of equity as a result of profit retained. Our return on equity decreased to approximately 21.0% for the nine months ended 30 September 2019 mainly due to the decrease of net profit as a result of full year effect for the year ended 31 December 2018 and the increase of total equity due to the net profit retained for the year ended 31 December 2018.

## QUANTITATIVE AND QUALITATIVE RISKS

Our Group's ordinary activities expose it to various financial risks, including interest rate risk, credit risk and liquidity risk. The management monitors closely our Group's exposures to financial risks to ensure appropriate measures are implemented in a timely and effective manner. For further information, please refer to Note 33 of the Accountants' Report in Appendix I to this prospectus.

## LISTING EXPENSES

All incremental costs that are directly attributable to the issue of new shares are recognised and directly deducted from equity while any expenses attributable to listing of existing Shares are charged to the statement of profit or loss in the period in which the expenses are incurred. The total expenses for the Listing are estimated to be approximately RM26.0 million (equivalent to approximately HK\$49.2 million) (based on the Offer Price of HK\$0.68, being the mid-point of the indicative Offer Price range of HK\$0.63 to HK\$0.73 per Share), of which approximately RM14.5 million (equivalent to approximately HK\$27.4 million) is directly attributable to the issue of new Shares in the Share Offer and to be accounted for as a deduction from equity and approximately RM4.0 million (equivalent to approximately HK\$7.6 million) has been charged to profit or loss for the year ended 31 December 2018 and approximately RM3.5 million and RM4.0 million (equivalent to approximately HK\$6.7 million and HK\$7.6 million) is to be charged to profit or loss for the year ended 31 December 2019 and the year ending 31 December 2020, respectively.

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### DIVIDEND

For the three years ended 31 December 2018 and nine months ended 30 September 2019, we declared dividends of RM750,000, RM19.8 million, RM7.0 million and nil, respectively. After the Track Record Period, our Group declared a dividend of RM13.0 million on 12 March 2020 and will be settled by payment in cash prior to the Listing. Approximately RM3.9 million of which will be used to settle the amounts due from related parties as at the same date.

Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors. Our Group does not have a pre-determined dividend payout ratio. Our Group currently does not have any specific dividend policy.

### DISTRIBUTABLE RESERVE

Our Company was incorporated on 13 June 2018. As at 30 September 2019, our Company had no reserves available for distribution to our Shareholders.

### RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to actively market our Group's products to new and existing customers. As at the Latest Practicable Date, our Group's utilisation of our IT infrastructure had already achieved 100%. As at the Latest Practicable Date, we have signed an agreement with a new customer which is principally engaged in general insurance business in Malaysia to provide enterprise software solution services and we are in discussions with a total of nine customers on various projects requiring an additional 152 racks of storage space to host IT Infrastructures.

In July 2019, Bank Negara Malaysia issued the RMIT which sets out the technology risk management framework required by Bank Negara Malaysia and became effective on 1 January 2020. For details please refer to the section headed "Regulatory Overview" in this prospectus. All of our Group's 43 racks have been relocated to the third-party Tier 3 data centre in January 2020. Our Group has reserved up to a total of 97 racks from the data centre to satisfy the expected demand from its customers before our Group's new data centre is operational.

Based on the unaudited management accounts of our Group for one month ended 31 January 2020, our revenue maintained at a similar level as compared to the corresponding period in 2019. Gross profit and gross profit margin increased for the one month ended 31 January 2020 as compared to that of the corresponding period in 2019 mainly due to the decrease of postage cost

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and staff cost. Administrative expenses decreased significantly for the one month ended 31 January 2020 as compared to that of the corresponding period in 2019 mainly due to the decrease of listing expenses. As a result, net profit of our Group for the one month ended 31 January 2020 increased as compared to the corresponding period in 2019.

### **Outbreak of Coronavirus (COVID-19)**

During the Track Record Period and as at the Latest Practicable Date, our Group's operations are carried out only in Malaysia and Singapore and our Group's customers are primarily located in Malaysia and only two are in Singapore. Going forward, the Group's strategies are only related to Malaysia and Singapore and therefore they would only be affected by potential further outbreaks of Coronavirus in Malaysia and Singapore. The increase in infections outside of these two countries has limited impact to our Group. Further, it should be noted that due to the nature of our operations, there is no requirement to conduct our business or service the customer face-to-face. This can be seen from the recent requests from customers to conduct meetings through conference calls. Having considered these factors, the further increase in infections globally (excluding Malaysia and Singapore) would have limited impact on the Group's operations.

In view of the outbreak of contagious coronavirus (COVID-19), our Directors have considered its impact in so far as it relates to (a) our Group's operation geographically; (b) how it relates to our Group's customers; (c) how it relates to our Group's suppliers; and (d) how it relates to our Group's day to day operations.

#### **(a) Geographically**

Our Group's operations are solely based in Malaysia and only has two customers in Singapore. As our Group does not provide outsourced document management services but only provide enterprise software solutions in Singapore, it supports our Singapore operations through emails, WhatsApp and conference calls and our staff do not need to travel or meet our clients in Singapore. For Malaysia, as at the Latest Practicable Date and based on publicly available information, there are 93 known cases of coronavirus in Malaysia and no deaths. Since the known cases are quite low at this moment as compared to countries or district, such as the PRC, Japan and Korea, etc., Malaysia does not appear to be substantially affected by the coronavirus. Based on publicly available information, the Malaysia Government has implemented temporary travel bans to include visitors from China's Zhejiang province, Jiangsu provinces and Hubei province, the epicentre of the coronavirus.

#### **(b) Customers**

Our Group's customers are primarily financial institutions and insurance companies located in Malaysia and only two are in Singapore. Our Group's services do not require many face-to-face meetings with our Group's customers on a day to day basis given that the nature of our Group's business mainly involves data transmission to and from its customers. Also, to the best of our



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Directors' knowledge, as part of our customers' pandemic planning, they have stopped holding face-to-face meetings and instead conducted communication through telephone calls. So far, there has only been a change in the manner in which meetings have been held and this has not any major adverse impact on liaising with our customers. As at the Latest Practicable Date, our Group's services to customers have remained normal and our Group has not received any indication or notification from any of our customers of their intention to terminate or reduce our Group's services as a result of the coronavirus outbreak.

### (c) Suppliers

Our Group's print and mail services involves the usage of raw materials such as paper, envelopes and printing consumables and parts. As at the Latest Practicable Date, our Group is not aware of any material disruption to the sourcing or delivery of raw materials from our suppliers. As for paper and envelopes, our Group purchases paper and envelopes from suppliers in Malaysia as well as obtains paper and envelopes from customers' designated suppliers but does not source nor heavily rely for paper and envelopes directly from China. Our Group understands that our customers have made plans to stock up on paper and envelopes. Our Group also purchases small amount of toner and parts for printing machines and plastic blank cards from suppliers in China. The purchase of toner and parts from a supplier in China amounted to approximately nil, nil, nil and RM106,000, representing only approximately 0.4% of our Group's total purchase for the nine months ended 30 September 2019. The purchase of plastic blank card from supplier in China amounted to approximately RM270,000, RM241,000, RM163,000 and RM238,000, representing less than 1% of our Group's total purchase during the Track Record Period. Our Directors consider that the non-recurring purchase and/or immaterial amount of purchase cost on printer toner and parts and plastic blank card would not have material financial impact on our Group even we cannot purchase from this supplier. As part of our Group's pandemic planning, our Group has placed orders with our Group's suppliers for one month's supply of paper and envelopes, and three months' supply for printing consumables and parts and there is no indication from our suppliers that the delivery of our orders will be disrupted or cannot be fulfilled. Our Group's paper and envelopes in stock as at the Latest Practicable Date, together with an order due to arrive in March 2020, is expected to meet our Group's demands up to and including April 2020. Our Group's toner and parts in stock as at the Latest Practicable Date together with an order due to arrive in March 2020 is expected to meet our demands up to and including September 2020. Further, our Group's paper and envelopes suppliers have confirmed that they have available stock to cover our needs for an additional six months.

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## FINANCIAL INFORMATION

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### (d) Day to day operations

Subsequent to the major pandemic outbreak in or around 2003, our Group has developed and implemented strategic a business continuity planning in the case of a pandemic to minimize the risk of contagion among employees, continuity of essential services and products to mitigate the potentially catastrophic impact of coronavirus outbreak to ensure sustained capacity with appropriate response and to ensure business continuity (“BCP”). This pandemic planning has been updated in February 2020 to cover also the coronavirus.

The BCP sets out measures to ensure safety to staff, safety within our Group premises and business continuity in the event of disaster caused by factors beyond our Group’s control. These measures include, *inter alia*, monitoring of staff, ensuring good personal hygiene practices are adopted by our staff, temperature screening, limitation of social contact within and outside of our workspace and cleaning of office premises. Our Group has also taken measures to have sufficient stock for personal protective equipment, hand sanitizer and disinfectant products. As at Latest Practicable Date, none of our Group’s staff have traveled to China in the last two months, all staff have confirmed that they have/had no signs or symptoms of being infected with the coronavirus and has not been in contact with any person(s) that have been confirmed infected with coronavirus.

If the outbreak of coronavirus gets worse in Malaysia, our Group plans to adopt a work at home policy with only essential staff to be on-site at our Group’s offices. Our Group will also implement measures to divide our operational team and operate concurrently from both our Group’s main office and as well as at its recovery site. Given that our leased data centre can be operated remotely, our Group does not need to have too many staff situated at the leased data centre to manage our servers.

Due to our nature of our Group’s business operations and having taken into consideration the above factors, our Directors believe that the coronavirus has not had any material adverse impact on our operation, sustainability and profitability of our Group and our Group has developed strategic pandemic planning to minimize and mitigate the potentially impact of coronavirus outbreak.

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## FINANCIAL INFORMATION

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### **Current political change in Malaysia**

On 24 February 2020, the Malaysian Prime Minister, Mahathir Mohamad, submitted his resignation to the country's king. Although a new Prime Minister of Malaysia, Tan Sri Muhyiddin Bin Haji Muhammad Yassin has been appointed, the political turmoil may suppress investor confidence and pose uncertainties of fiscal stimulus package in the short term that was intended to lift Malaysia's economy. Further, the new Prime Minister has made the decision to move the next sitting of the Lower House from 9 March 2020 to 18 May 2020. The political uncertainty may exacerbate the pressure on Malaysian lawful currency Ringgit and may cause short term fluctuation on the ringgit, or slight depreciation against other foreign currencies. Since 24 February 2020, the date the Prime Minister of Malaysia announced his step down, the exchange rate of Malaysia ringgit has depreciated only by 0.1% against USD up to the end of February 2020.

According to our industry consultant, the impact of the political turmoil on our Group's operation is expected to be limited due to the following factors: 1) a new Prime Minister of Malaysia is appointed and the new cabinet has been formed, which is expected to stabilise the current political environment and alleviated the investors' concerns; 2) there is still room for central bank of Malaysia for rate cuts to support economic growth due to the low inflation, which is expected to lift investor's confidence; 3) any potential change of regime in administration will have no impact on our Group's operation as none of our Group's business are related to government's procurement nor does our Group rely on government of any of its business and 4) our Group's business involves long-term contracts with large financial institutions and the demand for document management services of these companies is less cyclical and the softening business environment tends to have limited impact on such demand.

Our Directors are of the view that the potential depreciation of the Malaysian Ringgit will not have a material adverse impact on our operation as the majority of the currency used for settlement is Malaysian Ringgit. Our Group has only two customers that settle invoices in Singapore dollars, representing approximately 1.5%, 1.2%, 0.4% and 8.4% of our total revenue during Track Record period, which is expected to result in a foreign exchange gain. Our Group has only two suppliers which requires settlement in USD, representing approximately 0.6%, 0.6%, 0.5% and 2.2% of our total purchase during Track Record Period, which is immaterial.

Based on the above, our Directors are of the view that the resignation of the Prime Minister and the appointment of a new Prime Minister of Malaysia will not have material adverse impact on our operation.

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## FINANCIAL INFORMATION

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### UNAUDITED PROFORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

Please refer to section headed “Unaudited pro forma financial information” in Appendix II to this prospectus for details.

### Application for recognition of EY Malaysia as recognised PIE auditors by the Financial Reporting Council

#### *Background*

We have appointed Ernst & Young (Certified Public Accountants, Hong Kong) (“**EY Hong Kong**”) to act as our Company’s reporting accountants in our application for Listing. We intend to appoint Ernst & Young PLT (Chartered Accountants, Malaysia) (“**EY Malaysia**”) to act as our auditors upon Listing.

#### *The amendments to the Financial Reporting Council Ordinance, Cap. 588, laws of Hong Kong have become effective*

As from 1 October 2019 (the “**Effective Date**”), the amendments to the Financial Reporting Council Ordinance (Cap. 588) (“**FRCO**”) takes effect and the Financial Reporting Council (“**FRC**”) has become Hong Kong’s independent regulator of listed entity auditors.

After the Effective Date, all audit firms intending to carry out any engagement with a public interest entity (the “**PIE**”) are subject to a system of registration (for Hong Kong auditor firms) and recognition (for non-Hong Kong audit firms) as recognised PIE auditors (the “**Recognised PIE Auditors**”). A PIE is either (a) a listed corporation whose listed securities comprise at least shares or stocks; or (b) a listed collective investment scheme. Hence, after the Listing, our Company will become a public interest entity.

Any non-Hong Kong audit firm is required to be recognised by the FRC as Recognised PIE Auditors before the audit firm can (i) “undertake” (i.e. accept an appointment to carry out) any PIE Engagement; and (ii) carry out any PIE Engagement for an overseas entity.

Under the FRCO, the overseas PIE, like our Company, must seek a statement of no objection (the “**SNO**”) from the Stock Exchange to engage its non-Hong Kong auditors to undertake its PIE Engagement. After the issue of the SNO, the FRC will consider the application for recognition of the non-Hong Kong auditor as a Recognised PIE Auditor (as defined in section 3A of the FRCO).

If an overseas auditor has not accepted an appointment to carry out a PIE engagement for an overseas entity but is expected to do so after 1 October 2019, the overseas entity is strongly encouraged to make an application for the recognition of its overseas auditor with the FRC 45 business days before it appoints the overseas auditor to allow for sufficient time for the FRC to consider the application.

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## FINANCIAL INFORMATION

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### ***Our application for the recognition of EY Malaysia as Recognized PIE Auditors by the FRC under the FRCO***

Considering that we will become a PIE after the Listing and we intend to engage EY Malaysia as our auditors, we must apply to the FRC for its recognition of EY Malaysia as Recognised PIE Auditors.

On 17 September 2019, we applied to the Stock Exchange for a SNO to support our Company's application to the FRC for its recognition of EY Malaysia as a Recognised PIE Auditor. On 18 September 2019, we received the SNO from the Stock Exchange.

We and EY Malaysia have filed the relevant Application to the FRC for its recognition of EY Malaysia as a Recognised PIE auditor in October 2019. On 24 January 2020, we received an approval-in-principle from the FRC recognising EY Malaysia as a PIE auditor of our Company. The approval-in-principle is valid for a 6-month period beginning on 24 January 2020. The recognition of EY Malaysia as a PIE auditor of the Company takes effect when EY Malaysia undertakes a PIE engagement for our Company within the 6-months validity period and expires on 31 December 2020.

Details of EY Malaysia's background are as follows:

1. EY Malaysia is a member firm of Ernst & Young Global Limited ("EYG"), a global leader in assurance, tax, transaction and advisory services.
2. EY Malaysia is registered with the Malaysian Institute of Accountants ("MIA"). MIA was established under the Accountants Act, 1967 in Malaysia and is the national accountancy body that regulates, develops, supports and enhances the integrity, status and interests of the profession in Malaysia. MIA's international outlook and connections are reflected in its membership of regional and international professional organisations such as the ASEAN Federation of Accountants ("AFA"), and the International Federation of Accountants ("IFAC").
3. EY Malaysia and both the Engagement Partner ("EP") and Engagement Quality Control Reviewer ("EQCR") for the Company audit are registered with the Audit Oversight Board ("AOB") of Securities Commission Malaysia. AOB was established under Part IIIA of the Securities Commission Act Malaysia 1993 ("SCMA") which came into force on 1 April 2010 to promote and develop an effective audit oversight framework and to promote confidence in the quality and reliability of audited financial statements of PIEs in Malaysia. AOB is a member of the International Forum of Independent Audit Regulators ("IFIAR") The key responsibilities of AOB are:

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## FINANCIAL INFORMATION

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- The AOB is responsible for the registration of auditors of public interest entities under Part IIIA of the SCMA. The registration of auditors of public interest entities would ensure that only fit and proper auditors are involved in auditing the financial statements of public interest entities.
  - Conduct inspections and monitoring programs on auditors to assess the degree of compliance with auditing and ethical standards. In discharging the above responsibilities, the AOB may inspect an audit firm of PIEs under a regular inspection program or a special inspection program. Under either program, an AOB inspection may be carried out at the firm level or engagement level or both. A firm review focuses on the review of an audit firm's quality control systems and practices and the degree of compliance with the requirements of the International Standards of Quality Control 1 ("**ISQC 1**"). An engagement review aims to assess the degree of compliance with auditing and ethical standards of an audit engagement conducted by an auditor.
4. EY Malaysia will conduct the audit of our Company in accordance with International Standards on Auditing ("**ISAs**"). EY Malaysia has also complied with the independence and ethical requirements of International Code of Ethics for Professional Accountants (including International Independence Standards) ("**IESBA Code**").
5. EY Malaysia has provided audit services to clients in similar business as our Company, giving them the necessary capabilities and experience. In addition, collectively between the EP, EQCR and the two other members of key engagement team, they have experience auditing at least 7 other EY Malaysia clients (including multinationals) in similar business as our Company.

### NO BUSINESS INTERRUPTION

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.

### MATERIAL ADVERSE CHANGE

Our Directors have confirmed, after performing all due diligence work which our Directors consider appropriate, that, save and except the non-recurring listing expenses of approximately RM3.5 million and RM4.0 million (equivalent to approximately HK\$6.7 million and HK\$7.6 million) to be charged to profit or loss for the year ended 31 December 2019 and the year ending 31 December 2020, respectively, and declaration of dividend of RM13.0 million details of which are set out in the paragraph headed "Listing Expenses" and "Dividend" above, there has been no material adverse change in our financial position or prospects since 30 September 2019 and up to the date of this prospectus.

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## FINANCIAL INFORMATION

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### DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our directors confirm that, except as otherwise disclosed in this prospectus, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under rules 13.13 to 13.19 of the Listing Rules.

We have included in Appendix III to this prospectus unaudited preliminary financial information for the year ended 31 December 2019, which is prepared in compliance with the content requirements as for preliminary results announcements under Rule 13.49 of the Listing Rules and has been agreed with the Reporting Accountants following their review under Practice Note 730 “Guidance for Auditors Regarding Preliminary Announcements of Annual Results” issued by the Hong Kong Institute of Certified Public Accountants.

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## FUTURE PLANS AND PROPOSED USE OF PROCEEDS

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### FUTURE PLANS

Please refer to the section headed “Business – Our Business Strategies” in this prospectus for a detailed description of our business strategies and future plans.

### USE OF PROCEEDS

The aggregate net proceeds from the Share Offer (after deducting underwriting fees and estimated expenses in connection with the Share Offer, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$0.68 per Share (being the midpoint of the indicative Offer Price range of HK\$0.63 to HK\$0.73 per Share) will be approximately HK\$86.8 million. Our Directors intend to apply the net proceeds from the Share Offer as follows:

- approximately HK\$76.9 million (equivalent to approximately RM40.7 million), representing approximately 88.6% of the net proceeds will be used to increase our technological capability and capacity to develop into other market vertical/parallels;
  - approximately HK\$66.5 million (equivalent to approximately RM35.2 million) representing approximately 76.7% of the net proceeds will be used to build a new data centre to upgrade our IT infrastructure for expanding our outsourced document management services and our enterprise software solutions;
  - approximately HK\$5.9 million (equivalent to approximately RM3.1 million) representing approximately 6.8% of the net proceeds will be used to strengthen our Group’s technical operation support system;
  - approximately HK\$4.4 million (equivalent to approximately RM2.4 million) representing approximately 5.1% of the net proceeds will be used to expand our software development team to develop new applications without our Streamline Suite and front-end solutions; and
- approximately HK\$9.9 million (equivalent to approximately RM5.2 million), representing approximately 11.4% of the net proceeds will be used to expand our market presence locally and explore expansion regionally to capture further market share;
  - approximately HK\$3.1 million (equivalent to approximately RM1.6 million) representing approximately 3.6% of the net proceeds will be used to step up our marketing and sale efforts to reach out to new customers;
  - approximately HK\$6.8 million (equivalent to approximately RM3.6 million) representing approximately 7.8% of the net proceeds will be used for potential strategic acquisition and business opportunities.



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## **FUTURE PLANS AND PROPOSED USE OF PROCEEDS**

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If the final Offer Price is at the high-end of the indicative Offer Price range (being HK\$0.73 per Share), the net proceeds will increase by approximately HK\$8.5 million (equivalent to approximately RM4.5 million) (assuming the Over-allotment Option is not exercised) and approximately HK\$27.1 million (equivalent to approximately RM14.3 million) (assuming the Over-allotment Option is fully exercised). If the Offer Price is finally determined to be either more or less than expected, our Group will adjust the proposed use of net proceeds on a pro rata basis and will finance any shortfall by intend cash resources, working capital and/or other financing, as and when appropriate.

If the final Offer Price is at the low-end of the indicative Offer Price range (being HK\$0.63 per Share), the net proceeds will decrease by approximately HK\$8.5 million (equivalent to approximately RM4.5 million). If the sum raised is above or below the mid-point Offer Price, we intend to deploy the net proceeds for the above purposes in the same proportion.

The application of the net proceeds as stated above are only current estimates and are subject to changes based on prevailing economic, market and business conditions. To the extent that the net proceeds are not immediately applied to the above purposes, we intend to deposit the proceeds in interest bearing bank accounts, such as short-term savings accounts or basic short-term money market funds, with licensed commercial banks and/or authorised financial institutions in Hong Kong and Malaysia.

### **REASONS FOR THE LISTING**

Given the successful completion of our Streamline Suite during the Track Record Period, the expected continued demand from customers for our Group's services, forecasted growth in demand in the industry by CIC and technical limitation of our existing operations, our Directors recognise the imminent need for further capital to expand our business capacities and offerings to maintain and increase our market share, while we believe is vital to upholding our market position and for long-term sustainability. For information relating to the future prospects of the outsourced document industry in Malaysia and Singapore, please refer to the section headed "Industry Overview" in this prospectus.

We believe that having a listing status in Hong Kong is beneficial to our Group as (i) it will enhance our corporate profile and recognition; (ii) it will provide an alternative to debt financing; (iii) it will increase market visibility of our Group in Malaysia, Singapore and neighbouring countries, (iv) it will attract investors with different profiles such as private and institutional investors; and (v) we believe that Listing in Hong Kong is the primary choice of listing for companies in Asia.

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## FUTURE PLANS AND PROPOSED USE OF PROCEEDS

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**(i) the Listing will enhance our corporate profile and recognition**

We believe a Listing can enhance our corporate profile and recognition for the following reasons:

- (a) Better internal control – prior to the Listing, our Group had undergone an internal control review ensuring that the internal control measures relating to corporate governance standards, environmental, social and governance standards, accounting standards and audit requirements and are subject to the regulators’ on-going supervision. Being able to meet the strict requirements associated with a Listing will likely provide a higher level of comfort for investors and our customers, many of whom are in the banking and insurance industries and part of a group that is also listed on Bursa Malaysia;
- (b) Financial disclosure and transparency – the enhanced financial disclosure requirements and transparency of our Group’s financial information after Listing will provide high transparency to our investors and customers; and
- (c) Regulatory supervision – as a listed company our Group will be subject to on-going supervision and scrutiny by the regulators that ensures that our Group meets the standards accompanied with a Listing, which in turn will require our Group to implement more robust management system and better equip our Group.

These above factors are particularly relevant for approaching new customers and maintaining existing clients in banking, insurance and those industries which are heavily regulated. Our Directors are of the view that the increased regulatory and reporting requirements that our Group must conform to as a result of the Listing will enhance the perception of our Group’s management integrity, corporate governance and internal control, and thereby increase our competitiveness and promote growth of our Group and long-term shareholder value of our Company.

Further, as many of our customers in the banking and insurance industries are themselves a member of a group listed on stock exchanges, our Directors believe that with a Listing in Hong Kong, we can leverage on the enhanced prestige offered by a listing status in an international financial centre to retain our existing international customers, and attract potential new international customers.

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## FUTURE PLANS AND PROPOSED USE OF PROCEEDS

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**(ii) It will provide an alternative to debt financing**

We had considered debt financing which include bank loan as an alternative way to finance our expansion plan. However, we were informed by our principal bank and one more bank that it will be difficult for them to grant an additional loan in the amount required for our expansion plans. Also, as a private company, it is generally difficult in obtaining sufficient bank borrowings on commercially favourable terms, even with personal guarantee or other collateral to be provided by our Group's Controlling Shareholders. It is important for us to expand our source of capital for the implementation of our business strategy.

We have evaluated various factors between equity financing in the form of Listing and debt financing for the purpose of our business expansion and decided to proceed with the Listing after giving consideration to:

- (a) The fund raised by equity financing is a committed source of capital without interest expenses and maturity and may be applied for such uses as our Executive Directors deem fit;
- (b) As discussed above, we had approached two commercial banks for bank loan facilities to fund our proposed expansion plans. However, both of them stated they could not approve the loan applications, in particular, one requested for additional collateral to be provided as security. It is anticipated that additional bank borrowings to our Group would require the Controlling Shareholders to provide additional guarantee if our Company were not listed. Given that all our owned properties have been pledged for the existing banking facilities, our Group did not have any further security, other than potentially offering personal guarantees by the two Controlling Shareholders, which will place additional financial burden on them. Furthermore, we believe that many commercial banks will be unwilling to grant us bank loans to construct our new product facility given that we have no track record in the construction of this scale. We believe that utilising bank borrowings for financing our expansion plans is not a commercially viable method;
- (c) As at 31 December 2018, we had bank balances and cash of approximately RM18.4 million and unutilised bank overdrafts and trade facilities of approximately RM6.1 million. We have bank borrowings of approximately RM18.4 million as at 31 December 2018. It follows that our banking facilities have been substantially utilised and we do not have sufficient surplus cash for our business expansion. In particular, for the loan agreement of the bank borrowings of approximately RM18.4 million as at 31 December 2018, it contains a clause specifying that the loan is to be used for working capital;

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## FUTURE PLANS AND PROPOSED USE OF PROCEEDS

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- (d) Based on our current gearing position as at 31 December 2018 of 53.7%, the Directors consider that it may have difficulty in obtaining sufficient debt financing to fully fund our expansion plans and any substantial increase in the leverage of our Group's financing structure will pose risk on the liquidity of our Group as a whole. Our Group may also be subject to less favourable financing terms and higher finance costs in light of the current gearing ratio. As such, our Directors believe that the net proceeds from the Share Offer will provide us with the necessary additional financial resources to implement our business strategies without substantially increase our gearing ratios and bargaining power for future debt financing;
  - (e) Further, we believe that Listing can fulfil our mid to long term strategic needs, as it can enable our Group to have ready and continuous access to the capital market for future fund raising to timely capture opportunities in the fast-changing nature of IT services, which will not be available through procuring additional borrowing. In contrast, we believe that there may be a longer and complex negotiating process for bank loans. Whilst software applications and the related services generally have a short life-cycle, being able to readily access funding is crucial for our long-term R&D; and
  - (f) Further, (i) full implementation of our expansion plan will take approximately up to two years; and (ii) our Group's banking facilities contain repayable on demand clauses, the use of bank borrowing for our Group's expansion plans would have potential adverse impact on the financial performance and position of our Group, such as additional financial costs, and increase the unforeseen burdens to our liquidity, our Group prefers to obtain funding through the Share Offer as a long-term fund raising platform for our business expansion.
- (iii) It will increase market visibility of our Group in Malaysia, Singapore and neighbouring countries**
- (a) We believe the use of our Streamline Suite and other applications we have in our development pipeline will be one of the factors that leading to growth in demand for our services and may be offered to potential customers outside of Malaysia. As such we believe it is critical for us to establish an international reputation for our Group's current expansion plans in Malaysia and Singapore as well as for future regional expansion plans and for any further investment or acquisition as it allows us to have a stronger bargaining power to negotiate better investment terms, which in turn allows us to have a better potential return on investment in the future. We also believe that potential customers would be more receptive to services provided by a company with a sound reputation, such as those being listed on the Stock Exchange; and

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## FUTURE PLANS AND PROPOSED USE OF PROCEEDS

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During the Track Record Period, we commenced discussions with a potential banking customer located in Hong Kong which has requested for a proposal for use of our proprietary software to generate statements for them. As at the Latest Practicable Date, we were still in discussions with the potential customer of a bank that is considering engaging us for the use of our Streamline Suite.

Further, subsequent to the Track Record Period, we invoiced a subsidiary of a Hong Kong based insurance company for the provision of outsourced document management services in Malaysia, and we have also commenced the provision of our service in April 2019. We believe this will be a channel for us to enter into the Hong Kong market and a Listing in Hong Kong will greatly improve our ability to market our services and accessibility to potential customers in the Hong Kong market.

- (b) We also believe that a Listing will allow for our Group to distinguish itself from our market players.

**(iv) It will attract investors with different profiles such as private and institutional investors**

Our Directors believe that the Listing is a suitable listing platform because Hong Kong has a more sophisticated investor base. The attraction of Hong Kong is that it is a hub for Chinese capital, in addition to its established international institutional investor base. Hong Kong is seen as a proxy for China and its stock market offers plenty of opportunities to gain exposure to China's growth potential. Therefore, most of the capital flow would be to Hong Kong rather than to Malaysia, resulting in better liquidity and valuations.

Further, except this Listing, our Directors confirmed that no application has been submitted for listing on any other stock exchange. To the best of their knowledge and belief, our Directors have confirmed that there would be no impediments for our Company if we were to list on the Main Market of the Bursa Malaysia or the Mainboard of the Singapore Exchange Securities Trading Limited.

According to the information published by the Hong Kong Stock Exchange (disclosure is subject to HKEx approval), Hong Kong regained its position as the world's top IPO venue in 2018, with HK\$286.5 billion raised in 2018, a 123% increase from the same period in 2017. In 2018, 218 companies listed on the Stock Exchange, as compared to 174 during the same period in 2017. As at the end of December 2018, 2,315 companies were listed on the Stock Exchange with a total market capitalisation of HK\$29,909.4 billion. Our Directors believe that the above statistics of the Stock Exchange are evidence that there is strong investor support for listed companies on the Stock Exchange on both primary and secondary fund raising.

## FUTURE PLANS AND PROPOSED USE OF PROCEEDS

**(v) We believe that Listing in Hong Kong is the primary choice of listing for companies in Asia**

Our Directors had explored several listing venues including Hong Kong, Malaysia and Singapore and are of the view that Stock Exchange is the suitable listing platform having considered the following factors:

- (a) Hong Kong's well-established legal system, which shall provide confidence to our Company's Shareholders and potential investors;
- (b) Hong Kong's high level of internationalisation, reputation as an international financial centre and maturity in the global financial market can further reinforce our Group's corporate profile and market reputation; and
- (c) The high level of openness to, and freedom of fund flows and availability of capital investment in Hong Kong have attracted financial institutions and investors around the world.

The table below sets out the comparison of capital markets in Hong Kong, Malaysia and Singapore. The results show that number of new listing, total fund raised from new listing, total market capitalisation, stock turnover and trading volume of the issuers in Hong Kong for 2017 and 2018 are substantially higher than that of Malaysia and Singapore, and so there is higher chance for our Company to achieve a higher valuation and liquidity when listing in Hong Kong as opposed to Malaysia and Singapore.

***Comparison of capital markets in Hong Kong, Malaysia and Singapore***

	Hong Kong		Malaysia		Singapore	
	Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2019	2018	2019	2018	2019	2018
Number of new listing	183 <sup>a</sup>	218 <sup>a</sup>	30 <sup>c</sup>	23 <sup>c</sup>	12 <sup>b</sup>	18 <sup>b</sup>
Total funds raised from new listings	HK\$312.9 billion <sup>a</sup>	HK\$286.5 billion <sup>a</sup>	RM2.0 billion <sup>c</sup> (equivalent to approximately HK\$3.8 billion)	RM0.7 billion <sup>c</sup> (equivalent to approximately HK\$1.3 billion)	S\$1,697 million <sup>b</sup> (equivalent to approximately HK\$9.8 billion)	S\$747 million <sup>b</sup> (equivalent to approximately HK\$4.3 billion)
Total market capitalisation	HK\$38.2 trillion <sup>a</sup>	HK\$29.9 trillion <sup>a</sup>	RM1.7 trillion <sup>c</sup> (equivalent to approximately HK\$3.2 trillion)	RM1.7 trillion <sup>c</sup> (equivalent to approximately HK\$3.2 trillion)	S\$937.9 billion <sup>b</sup> (equivalent to approximately HK\$5.4 trillion)	S\$936.9 billion <sup>b</sup> (equivalent to approximately HK\$5.4 trillion)

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## FUTURE PLANS AND PROPOSED USE OF PROCEEDS

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	Hong Kong		Malaysia		Singapore	
	Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2019	2018	2019	2018	2019	2018
Average daily equities turnover	HK\$87.2 billion <sup>a</sup>	HK\$107.4 billion <sup>a</sup>	RM2.2 billion <sup>c</sup> (equivalent to approximately HK\$4.2 billion)	RM2.6 billion <sup>c</sup> (equivalently to approximately HK\$4.9 billion)	S\$1.2 billion <sup>b</sup> (equivalent to approximately HK\$7.0 billion)	S\$1.2 billion <sup>b</sup> (equivalent to approximately HK\$7.0 billion)
Average daily trading volume (no. of shares)	244.7 billion <sup>a</sup>	226.2 billion <sup>a</sup>	2.6 billion <sup>c</sup>	2.6 billion <sup>c</sup>	1.1 billion <sup>b</sup>	1.7 billion <sup>b</sup>
	2018	2017	2018	2017	2018	2017
Turnover ratio of stocks	59.4% <sup>d</sup>	43.4% <sup>d</sup>	34.0% <sup>d</sup>	30.1% <sup>d</sup>	31.9% <sup>d</sup>	27.9% <sup>d</sup>

*Sources:*

- a. Stock Exchange*
- b. Singapore stock exchange*
- c. Bursa Malaysia*
- d. The World Bank*
- e. The Securities Commission Malaysia*

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## UNDERWRITING

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### **PUBLIC OFFER UNDERWRITERS**

#### **Joint Bookrunners and Joint Lead Managers**

Chuenman Securities Limited  
Ruibang Securities Limited  
Kingkey Securities Group Limited  
Head & Shoulders Securities Limited  
Zeus Securities Limited  
Grand Moore Capital Limited

### **UNDERWRITING ARRANGEMENTS AND EXPENSES**

#### **Public Offer**

##### ***Public Offer Underwriting Agreement***

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering 20,000,000 Public Offer Shares (subject to reallocation) for subscription at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. The Public Offer Underwriters have agreed, severally, but not jointly, on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, without limitation:

- (a) the Listing Committee granting listing of, and permission to deal in, our Shares (including the additional Shares to be issued pursuant to the Capitalisation Issue, the exercise of the options which may be granted under the Share Option Scheme, and pursuant to the exercise of the Over-allotment Option) in issue and to be issued as mentioned in this prospectus; and
- (b) the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated.



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## UNDERWRITING

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### ***Grounds for termination***

The respective obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Joint Bookrunners may in its absolute discretion terminate the Public Offer Underwriting Agreement with immediate effect by written notice to our Company at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date if:

- (A) there shall develop, occur, exist or come into effect:
- (1) any change or prospective change (whether or not permanent) in the business, earnings, operations, financial position, trading position, or prospects of our Group, or any change in capital stock or long-term debt of the Company or any other member of the Group, which (in any such case) is not set forth or contemplated in the Prospectus; or
  - (2) any change or development involving a prospective change or development, or any event or series of events resulting or representing or may result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and interbank markets) in or affecting any of Malaysia, Hong Kong, BVI, the Cayman Islands or any other jurisdictions where any member of our Group is incorporated or operates (collectively, the “Relevant Jurisdictions”); or
  - (3) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or
  - (4) any new laws or change (whether or not forming part of a series of changes) or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or

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## UNDERWRITING

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- (5) a change or development or event involving a prospective change in taxation or exchange control (or in the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in shares; or
- (6) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions; or
- (7) any event, act or omission which gives rise or is likely to give rise to any liability of any of our Company, Controlling Shareholders and Executive Directors under the Public Offer Underwriting Agreement pursuant to the indemnities contained therein; or
- (8) the imposition or declaration of (i) any suspension or restriction on dealings in shares or securities generally on the Main Board of the Stock Exchange, the Growth Enterprise Market of the Stock Exchange, or any other major international stock exchange or any minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority, or (ii) any moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (9) the imposition of economic, political or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions; or
- (10) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, drought, flooding, severe snow or hail storm, explosion, earthquake, hurricanes, tornadoes, epidemic (including but not limited to severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, radiation or chemical contaminations, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions; or

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- (11) any change or development or event involving a prospective change, or a materialisation of any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (12) any change in the system under which the value of the Hong Kong dollar or is linked to that of the United States dollars or a material devaluation of Hong Kong dollar against any foreign currency; or
- (13) any demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (14) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or applicable laws; or
- (15) a prohibition on our Company for whatever reason from offering, allotting, issuing , or selling any of the Shares (including the shares which may be issued pursuant to the over-allotment option) pursuant to the terms of the Share Offer; or
- (16) non-compliance of any statement or disclosure of this prospectus or Application Forms or any aspect of the Share Offer with the Listing Rules or any other applicable laws; or
- (17) other than with the prior approval of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), the issue or requirement to issue by the Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription 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 Hong Kong Stock Exchange and/or the SFC; or
- (18) an order is made or a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

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## UNDERWRITING

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- (19) any litigation or claim of any third party being threatened or instigated against any member of our Group; or
- (20) a Director being charged with an indictable offence or prohibited by the operation of law or is otherwise disqualified from being a directors or taking part in the management of a company; or
- (21) the chairman, the chief executive officer, the chief operating officer or financial manager of our Company vacating his or her office; or
- (22) the commencement by any governmental, regulatory, political or judicial body or organisation of any action against a Director or any member of our Group or an announcement by any governmental, regulatory, political or judicial body or organisation that it intends to take any such action; or
- (23) our Company withdraws any of this prospectus or the Application Forms (and/or any other documents used in connection with the contemplated subscription of the Offer Shares); or
- (24) any person (other than any the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in any of this prospectus or the Application Forms and/or any other documents used in connection with the contemplated subscription of the Offer Shares, or to the issue of any such documents, which in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters):
  - (a) has or will or may have a material adverse effect on the business, financial, trading or other condition or prospects of any member of our Group or our Group taken as a whole and/or to any present or prospective shareholder in its capacity as such; or
  - (b) has or will or may have a material adverse effect on the success of the Public Offer, the Placing or the level of Offer Shares being applied for or accepted or the distribution of the Offer Shares; or
  - (c) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any part of the Public Offer Underwriting Agreement, the Placing Underwriting Agreement, the Public Offer, the Placing and/or the Share Offer to be performed or implemented as envisaged or (ii) to proceed with or to market the Public Offer, the Placing and/or the Share Offer on the terms and in the manner contemplated in this prospectus; or

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## UNDERWRITING

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- (B) any of the Public Offer Underwriters shall become aware of the fact that, or have cause to believe that:
- (1) any of the warranties given by our Company, our executive Directors and/or our Controlling Shareholders under the Public Offer Underwriting Agreement is untrue, inaccurate, misleading or breached in any respect when given or as repeated as determined by the Joint Bookrunners in their whole and absolute discretion, or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable;
  - (2) any statement contained in this prospectus, the Application Forms, the formal notice or any announcements or documents issued by our Company in respect of the Public Offer the Placing and/or the Share Offer was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if this prospectus, the Application Forms, the formal notice and any announcements or documents issued by our Company in respect of the Public Offer, the Placing and/or the Share Offer were to be issued at that time, constitute an omission therefrom, as determined by the Joint Bookrunners in their whole and absolute discretion; or
  - (3) any forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms, formal notice and/or any announcements or documents issued by our Company in connection with the Public Offer, the Placing and/or the Share Offer (including any supplement or amendment thereto) are not fair and honest nor based on reasonable assumptions; or
  - (4) there has been a breach on the part of any of our Company, our executive Directors and/or our Controlling Shareholders of any of the provisions of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement as determined by the Joint Bookrunners in their whole and absolute discretion.

### ***Placing Underwriting Agreement***

In connection with the Public Offer, it is expected that we will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters. Our Company expects to grant the Over-allotment Option to the Placing Underwriters, exercisable by the Joint Bookrunners on behalf of the Placing Underwriters. See “Structure of the Share Offer – Over-allotment Option” below for more information.

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## UNDERWRITING

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### **Undertakings pursuant to the Public Offer Underwriting Agreement**

#### ***Undertakings to the Public Offer Underwriters***

##### Undertakings by our Company

Our Company has undertaken to the Sole Sponsor, the Joint Bookrunners and the other Public Offer Underwriters that our Company will, and each of our Controlling Shareholders and Executive Directors has undertaken to the Sole Sponsor, the Joint Bookrunners and the other Public Offer Underwriters to procure that our Company will:

- (1) except pursuant to the Capitalisation Issue, the Share Offer or to the options that may be granted under the Share Option Scheme, during the period commencing on the date of this prospectus and ending on, up to and including the date falling six months after the date on which dealings in the Shares commence on the Stock Exchange (the “Lock-up Period”), not without the prior written consent of the Joint Bookrunners (on behalf of the Public Offer Underwriters (such consent not to be unreasonably withheld or delayed), and subject always to the provisions of the Listing Rules:
  - (a) offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its Affiliates), either directly or indirectly, conditionally or unconditionally, any Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or any securities convertible into or exchangeable for such Shares (or any interest in any Shares or any voting or other right attaching to any Shares);
  - (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or such securities;
  - (c) enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; and
  - (d) offer or agree to do any of the foregoing transactions and publicly disclose any intention to effect such transaction;

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## UNDERWRITING

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in each case, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise. In the event that, during the six month period immediately following the expiry of the Lock-up Period (the “Second Six Month Period”), our Company does any of the acts set out above, or offers to or agrees to or announces any intention to effect any such transaction, as the case may be, take all steps to ensure that any such act, if done, will not create a disorderly or false market for any Shares or other securities of the Company or any interest therein. Each of our Controlling Shareholders undertakes to each of the Sole Sponsor, the Joint Bookrunners and the Public Offer Underwriters to procure our Company to comply with the undertakings above.

### *Undertakings by our Controlling Shareholders*

Our Controlling Shareholders have also undertaken to each of the Sole Sponsor and the Joint Bookrunners and our Company that without the prior written consent of the Joint Bookrunners or companies controlled by him/her/it or any nominee or trustee holding in trust for him/her/it unless in compliance with the requirements of the Listing Rules:

- (1) he/she/it will not, and will procure that none of his/her/its associates or companies controlled by him/her/it or any nominee or trustee holding in trust for him/her/it shall, directly or indirectly, (i) offer, pledge, sell, mortgage, assign, 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, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital or other securities of the Company or any interest therein, beneficially owned by him/her/it or through such associates, companies, nominees or trustee as of the Listing Date (including, without limitation, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of our Company or any interest therein) immediately following the completion of the Share Offer, (ii) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of subscription or ownership of any such share capital or securities of the Company or any interest therein, (iii) enter into any transaction with the same economic effect as any transaction described in (i) and (ii) above or (iv) offer to or agree to contract to, or publicly announce any intention to enter into, any of the foregoing transactions described in (i) through (iii) above whether any of the foregoing transactions described in (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, at any time during the Lock-Up Period;
- (2) he/she/it will not, and will procure that such associate, companies, nominee or trustee will not, dispose of or otherwise create any options, rights, interests or encumbrances in respect of any Shares, or any interest therein at any time during the Second Six

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## UNDERWRITING

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Month Period, such that immediately following such disposal or upon exercise or enforcement of such options, rights, interests or encumbrances shall result in our Controlling Shareholders,, directly or indirectly, ceasing to be a controlling shareholder of the Company at any time during the Second Six Month Period; and

- (3) he/she/it shall take all steps to ensure if he/she/it enters into any of the transactions, or offers to or agrees to or announces any intention to effect any such transaction, he/she/it will not create a disorderly or false market for any Shares or other securities of the Company or any interest therein.

### **Undertakings to the Stock Exchange pursuant to the Listing Rules**

#### ***Undertakings by our Controlling Shareholders***

In accordance with Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that except pursuant to the Share Offer and any lending of the Shares pursuant to the Stock Borrowing Agreement or unless in compliance with the requirements of the Listing Rules, it or he shall not, and shall procure that the relevant registered holder(s) shall not, (i) at any time during the period commencing on the date by reference to which disclosure of its or his shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other securities of our Company in respect of which it or he is shown by this prospectus to be the beneficial owner; and (ii) at any time during the period of six months from the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he would cease to be our Controlling Shareholder.



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## UNDERWRITING

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Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that it or he will, within a period commencing on the date by reference to which disclosure of its or his shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us of:

- (a) any pledges or charges of any Shares or other securities of our Company beneficially owned by any of our Controlling Shareholders in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, and the number of such Shares or other securities of our Company so pledged or charged; and
- (b) when it or he or the relevant requested holders receive indication, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such securities will be disposed of.

### ***Undertaking by our Company***

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement or arrangement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Share Offer (including the exercise of the Over-allotment Option) and the Capitalisation Issue or in certain circumstances prescribed by Rule 10.08 of the Listing Rules which includes the grant of options and the issue of Shares pursuant to the Share Option Scheme.

### **Placing Share Offer**

#### ***Placing Underwriting Agreement***

In connection with the Placing, it is expected that our Company, our Controlling Shareholders and Executive Directors will enter into the Placing Underwriting Agreement with the Sole Sponsor, the Joint Lead Managers, the Placing Underwriters and other parties (if any) on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

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## UNDERWRITING

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Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers and purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Undertakings to the Public Offer Underwriters” above in this section.

Our Company is expected to grant to the Placing Underwriters the Over-allotment Option. The Joint Bookrunners or its agent, on behalf of the Placing Underwriters, can exercise the Over-allotment Option to require our Company to allot and issue up to an aggregate of 30,000,000 additional Shares, representing 15% of the Offer Shares, at the Offer Price per Offer Share, solely to cover over-allocations, if any, in the Placing.

The Over-allotment Option may be exercised by the Joint Bookrunners any time from the Listing Date and until the 30th day after the last day for the lodging of applications under the Public Offer. The purpose of the exercise of the Over-allotment Option is to settle any over-allocations in the Placing, if any. For further details of the Over-allotment Option, please refer to the section headed “Structure and Conditions of the Share Offer” in this prospectus.

### **Commission, fees and expenses**

The Public Offer Underwriters will receive a gross underwriting commission of 15% of the aggregate Offer Price of the Public Offer Shares initially offered under the Public Offer out of which any sub-underwriting commission, praecipium and selling concession will be paid. The Joint Bookrunners may receive an additional incentive fee to be agreed between the Company and Zeus Securities (on behalf of the Public Offer Underwriters). For unsubscribed Public Offer Shares reallocated to the Placing and any Placing Shares reallocated from the Placing to the Public Offer, we will pay an underwriting commission at the rate applicable to the Placing and such commission will be paid to the Placing Underwriters and not the Public Offer Underwriters.

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## UNDERWRITING

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Based on the Offer Price of HK\$0.68 per Offer Share (being the mid-point of the indicative range of the Offer Price), the aggregate commission, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Share Offer, are estimated to amount to approximately HK\$30.0 million in total (assuming that the Over-allotment Option is not exercised), and are payable by our Company with reference to the number of New Shares under the Share Offer respectively. We will also pay for all expenses in connection with any exercise of the Over-allotment Option.

### SOLE SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Sole Sponsor will receive a sponsorship fee to the Share Offer. The Joint Lead Managers and the Underwriters will receive an underwriting commission and/or praecipium. Particulars of these underwriting commission and expenses are set forth under the paragraph headed "Commission, fees and expenses" above.

We have appointed Grand Moore Capital Limited as our 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 we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the full financial year commencing after the Listing Date.

Save as disclosed above, none of the Sole Sponsor and the Underwriters is interested legally or beneficially in any Shares or other securities of our Company or any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase any Shares or other securities of our Company or any members of our Group or has any interest in the Share Offer.

Following the completion of the Share Offer, the Public Offer Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Public Offer Underwriting Agreement and/or the Placing Underwriting Agreement.

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

### MINIMUM PUBLIC FLOAT

Our Directors and the Joint Lead Managers will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Share Offer.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. The Share Offer consists of:

- a. the Public Offer of 20,000,000 New Shares (subject to adjustment as mentioned below) in Hong Kong as described below under the paragraph headed “The Public Offer” below; and
- b. the Placing of an aggregate of 180,000,000 New Shares (subject to adjustment and the Over-allotment Option as mentioned below) which will conditionally be placed with selected professional, institutional, and other investors under the Placing.

Investors may apply for the Public Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Placing Offer Shares under the Placing, but may not do both.

The number of Offer Shares to be offered under the Public Offer and the Placing may be subject to adjustment as described in the subsection headed “The Public Offer – Reallocation” below.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

### THE PUBLIC OFFER

#### Number of Offer Shares initially offered

Our Company is initially offering 20,000,000 Public Offer Shares for subscription (subject to reallocation) at the Offer Price by members of the public in Hong Kong under the Public Offer, representing 10.0% of the total number of Offer Shares initially available under the Share Offer. The Public Offer Shares initially offered under the Public Offer, subject to any reallocation of Offer Shares between the Placing and the Public Offer, will represent 2.5% of the total issued share capital of our Company immediately following the completion of the Share Offer assuming that the Over-allotment Option is not exercised.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Share Offer” of this section.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### Allocation

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The total number of Public Offer Shares available under the Public Offer (after taking into account any adjustment as referred to below) is to be divided equally (to the nearest board lot) into two pools for allocation purposes: 10,000,000 Offer Shares for each of pool A and 10,000,000 Offer Shares for pool B. The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) or less. The Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) and up to the total value in pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Public Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Public Offer and any application for more than 10,000,000 Public Offer Shares, being 50% of the 20,000,000 Public Offer Shares initially available under the Public Offer are liable to be rejected.

### Reallocation

The allocation of the Offer Shares between the Public Offer and the Placing is subject to reallocation at the discretion of the Joint Bookrunners, subject to the following:

- (a) where the Placing Shares are fully subscribed or oversubscribed:
  - (i) if the Public Offer Shares are undersubscribed, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Bookrunners deem appropriate;

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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- (ii) if the number of Offer Shares validly applied for under the Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Public Offer, then up to 20,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 40,000,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Share Offer;
  - (iii) if the number of Offer Shares validly applied for under the Public Offer represents (1) 15 times or more but less than 50 times, (2) 50 times or more but less than 100 times, and (3) 100 times or more of the number of Offer Shares initially available under the Public Offer, the Offer Shares will be reallocated to the Public Offer from the Placing in accordance with the clawback requirements set forth in paragraph 4 of Practice Note 18 of the Listing Rules, so that the total number of Public Offer Shares will be increased to 60,000,000 Offer Shares (in the case of (1)), 80,000,000 Offer Shares (in the case of (2)) and 100,000,000 Offer Shares (in the case of (3)), representing 30%, 40% and 50% of the Offer Shares initially available under the Share Offer, respectively;
- (b) where the Placing Shares are undersubscribed:
  - (i) if the Public Offer Shares are also undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this Prospectus, the Application Forms and the Underwriting Agreements; and
  - (ii) if the Public Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 20,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 40,000,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Share Offer. In the event of reallocation of Offer Shares from the Placing to the Public Offer in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the indicative Offer Price Range (i.e. HK\$0.63 per Offer Share) according to Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she 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 Placing Shares under the Placing, 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 if he or she has been or will be placed or allocated Placing Shares under the Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Public Offer are required to pay, on application, the maximum offer price of HK\$0.73 per Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$2,949.43 for one board lot of 4,000 Shares. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing and allocation" of this section below, is less than the maximum offer price of HK\$0.73 per 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. Further details are set out below in the section headed "How to apply for Public Offer Shares" in this prospectus.

### THE PLACING

#### Number of Offer Shares offered

Subject to adjustment as described above and the Over-allotment Option, the Placing will consist of 180,000,000 Shares, representing 90% of the total number of Offer Shares initially available under the Share Offer, assuming that the Over-allotment Option is not exercised. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Offer Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Share Offer, assuming that the Over-allotment Option is not exercised.

#### Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of our Company by the Placing Underwriters or through selling agents appointed by them. The Placing Shares will be selectively placed to certain professional and institutional and other investors who generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The Placing is subject to the Public Offer being unconditional.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the “book-building” process described in the paragraph headed “Pricing and allocation” in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit, of our Company and our Shareholders as a whole.

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Lead Managers so as to allow it to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

### **Reallocation**

The total number of Offer Shares to be issued pursuant to the Placing may change as a result of the clawback arrangement described in the subsection headed “The Public Offer – Reallocation” above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Public Offer.

### **OVER-ALLOTMENT OPTION**

In connection with the Share Offer, we are expected to grant the Over-allotment Option to the Placing Underwriters, exercisable by Joint Bookrunners on behalf of the Placing Underwriters.

Pursuant to the Over-allotment Option, the Placing Underwriters will have the right, exercisable by Joint Bookrunners (on behalf of the Placing Underwriters) at any time from the Listing Date and until the 30th day after the last day for the lodging of applications under the Public Offer to require our Company to allot and issue, at the Offer Price, up to an aggregate of 30,000,000 additional New Shares, representing 15% of the number of Offer Shares initially being offered under the Share Offer, on the same terms and conditions as those applicable to the Share Offer, to cover over-allocations in the Placing and/or the obligations of the Stabilising Manager to return securities borrowed under the Stock Borrowing Agreement. We will make an announcement if the Over-allotment Option is exercised.

If the Over-allotment Option is exercised in full, the additional Offer Shares allotted and issued will represent approximately 3.6% of the enlarged issued share capital of our Company immediately following the completion of the Share Offer and the exercise of the Over-allotment Option.



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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocation in connection with the Share Offer, the Stabilising Manager may choose to borrow, whether on its own or through its affiliates and agents, up to 30,000,000 Shares from Flash Dragon pursuant to a stock borrowing arrangement (being the maximum number of Shares which may be allotted and issued by our Company upon exercise of the Over-allotment Option), or acquire Shares from other sources, including the exercise of the Over-allotment Option.

If such stock borrowing arrangement with Flash Dragon is entered into, it will only be effected by the Stabilising Manager or its agent for settlement of over-allocation in the Placing and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with.

### STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Share Offer, the Stabilising Manager and/or its affiliates and agents, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period from the Listing Date and until the 30th day after the last day for the lodging of applications under the Public Offer. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or its agent to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end on the 30th day after the last day for the lodging of applications under the Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be allotted and issued under the Over-allotment Option, namely 30,000,000 Shares, which is 15% of the Offer Shares initially available under the Share Offer.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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In Hong Kong, stabilising activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). Stabilising actions permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules include: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares; and (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in our Shares should note that:

- a. the Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in our Shares;
- b. there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, or any person acting for it, will maintain such a long position;
- c. liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of our Shares;
- d. no stabilising action can be taken to support the price of our Shares for longer than the stabilising period which will begin on the Listing Date, and is expected to expire on the 30th day after the last date for lodging applications under the Public Offer. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- e. the price of our Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by the taking of any stabilising action; and
- f. stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, our Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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In connection with the Share Offer, the Stabilising Manager may over-allocate up to and not more than an aggregate of 30,000,000 additional Shares and cover such over-allocations by the exercise of the Over-allotment Option, which will be exercisable by PFS, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the Placing, the Stabilising Manager may borrow up to 30,000,000 Shares from Flash Dragon, equivalent to the maximum number of Shares to be allotted and issued by the Company on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The same number of Shares so borrowed must be returned to Flash Dragon or its nominees, as the case may be, on or before the third Business day following the earlier of (i) the last day for exercising the Over-allotment Option and (ii) the day on which the Over-allotment Option is exercised in full. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulation requirements.

No payments or other benefit will be made to Flash Dragon by the Stabilising Manager in relation to the stock borrowing arrangement.

### PRICING AND ALLOCATION

#### Determination of the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of the Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or about Friday, 20 March 2020, and in any event on or before 5:00 p.m. Monday, 23 March 2020, by agreement between Joint Lead Managers (for itself and on behalf of the Underwriters) and our Company (for ourselves) and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

#### Offer Price range

The Offer Price will not be more than HK\$0.73 per Offer Share and is expected to be not less than HK\$0.63 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but not expected to be, lowered than the indicative Offer Price range as stated in this prospectus.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### **Price payable on application**

Applicants for Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.73 for each Public Offer Share (plus the brokerage, Stock Exchange trading fee and SFC transaction levy payable on each Offer Share), amounting to a total of HK\$2,949.43 per board lot of 4,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.73 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

If, for any reason, our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before 5:00 p.m. Monday, 23 March 2020, the Share Offer will not proceed and will lapse.

Further details are set out in the section headed “How to apply for Public Offer Shares” in this prospectus.

### **Announcement of Offer Price and basis of allocations**

Announcement of the final Offer Price, together with the level of indication of interests in the Placing, and the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be published on Thursday, 26 March 2020 in the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company’s website at [www.clinksquared.com](http://www.clinksquared.com).

### **UNDERWRITING**

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters), agreeing on the Offer Price. We expect to enter into the Placing Underwriting Agreement relating to the Placing on or around the Price Determination Date. These underwriting arrangements and the Underwriting Agreements are summarised in the section headed “Underwriting” in this prospectus.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, amongst other things, the satisfaction of all the following conditions:

#### **1. Listing**

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer (including the Shares which fall to be allotted and issued upon the exercise of the Over-allotment Option, and upon the exercise of any options which may be granted under the Share Option Scheme) and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange.

#### **2. Placing Underwriting Agreement**

The execution and delivery of the Placing Underwriting Agreement on or about the Price Determination Date.

#### **3. Obligations under the Underwriting Agreements**

The obligations of the Underwriters under each of the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of a waiver of any condition(s)) and such obligations not being terminated in accordance with the terms of the Underwriting Agreements.

#### **4. Price determination**

The Offer Price having been determined and the execution of the Price Determination Agreement on or before the Price Determination Date.

If, for any reason, the Offer Price is not agreed between us and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before 5:00 p.m. Monday, 23 March 2020, the Share Offer will not proceed and will lapse.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming and remaining unconditional and not having been terminated in accordance with their respective terms.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by us on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.clinksquared.com](http://www.clinksquared.com) on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to apply for Public Offer Shares" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other licensed 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, 26 March 2020 but will only become valid certificates of title at 8:00 a.m. on Friday, 27 March 2020 provided that (i) the Share Offer has become unconditional in all respects, and (ii) the right of termination as described in the section headed "Underwriting – Underwriting arrangements and expenses – Public Offer – Grounds for termination" in this prospectus has not been exercised.

### SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made for the Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or 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 day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 27 March 2020 it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 27 March 2020.

The Shares will be traded in board lots of 4,000 Shares each. The stock code of the Shares is 1463.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; 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 Joint Lead Managers 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 Public 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 under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

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, our Company, the Sole Sponsor and the Joint Lead Managers may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any its subsidiaries;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer;
- are a close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

### 3. APPLYING FOR PUBLIC OFFER SHARES

#### Which application channel to use

For Public Offer Shares to be issued in your own name, please use a **WHITE** Application Form.

For Public 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, either (i) complete and sign the **YELLOW** Application Form; or (ii) give electronic application instructions to HKSCC via CCASS.

#### 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 Tuesday, 17 March 2020 to 12:00 noon on Friday, 20 March 2020 from:

- (i) the following office of the Public Offer Underwriters:

**Chuenman Securities Limited**

Office A, 10/F Sang Woo Building,  
227-228 Gloucester Road,  
Wan Chai, Hong Kong

**Ruibang Securities Limited**

9/F Sang Woo Building,  
227-228 Gloucester Road,  
Wan Chai, Hong Kong

**Kingkey Securities Group Limited**

44/F Convention Plaza Office Tower,  
1 Harbour Road,  
Wan Chai, Hong Kong



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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**Head & Shoulders Securities Limited**

Room 2511, 25/F,  
Costco Tower  
183 Queen's Road Central  
Hong Kong

**Zeus Securities Limited**

2220, Jardine House,  
1 Connaught Place,  
Hong Kong

**Grand Moore Capital Limited**

Unit 1607, 16/F  
Silvercord Tower I  
30 Canton Road,  
Tsim Sha Tsui  
Kowloon, Hong Kong

- (ii) any of the following branches of DBS Bank (Hong Kong) Limited, the receiving bank for the Public Offer:

District	Branch Name	Address
Hong Kong Island	Head Office	G/F, The Center, 99 Queen's Road Central, Central
	North Point Branch	G/F, 391 King's Road, North Point
Kowloon	Nathan Road – SME Center	2/F, Wofoo Commercial Building, 574-576 Nathan Road, Mongkok, Kowloon
New Territories	Kwai Chung Branch	G/F, 1001 Kwai Chung Road, Kwai Chung

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 17 March 2020 until 12:00 noon on Friday, 20 March 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 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 "Ting Hong Nominees Limited – C-Link Squared Limited 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:

- Tuesday, 17 March 2020 – 9:00 a.m. to 4:00 p.m.
- Wednesday, 18 March 2020 – 9:00 a.m. to 4:00 p.m.
- Thursday, 19 March 2020 – 9:00 a.m. to 4:00 p.m.
- Friday, 20 March 2020 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 20 March 2020, the last application day or such later time as described in "9. Effect of bad weather on the opening of the application lists" in this section.

### 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 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 for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor and/or the Joint Bookrunners, the Joint Lead Managers (or their 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 Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association;
- (iii) 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;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (iv) 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;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) 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 Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, 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;
- (ix) 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 Joint Bookrunners, the Joint Lead Managers, 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;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public 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 Public 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;
- (xiii) warrant that the information you have provided is true and accurate;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) 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 Public Offer Shares allocated to you, and our Company and/or its agents to deposit any share certificate(s) into CCASS and/or to send any share certificate(s) 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 are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) 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;
- (xvii) understand that our Company, the Directors, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (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 by you or by any one as your agent or by any other person; and
- (xix) (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.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

#### General

CCASS Participants may give electronic application instructions to apply for the Public 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 Centre

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.

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 Public 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 Joint Lead Managers 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 Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Public 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 stock account;
- agree to accept the Public 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 Placing Shares under the Placing;
- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, the Directors, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public 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 Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, 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 Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is 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 Public 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 Public Offer 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 Public Offer Shares;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association of our Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### **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 Public 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.



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### **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 Public Offer Shares. Instructions for more than 4,000 Public 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 Public Offer Shares will be considered and any such application is liable to be rejected.

### **Time for inputting electronic application instructions<sup>(1)</sup>**

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Tuesday, 17 March 2020 – 9:00 a.m. to 8:30 p.m.
- Wednesday, 18 March 2020 – 8:00 a.m. to 8:30 p.m.
- Thursday, 19 March 2020 – 8:00 a.m. to 8:30 p.m.
- Friday, 20 March 2020 – 8:00 a.m. to 12:00 noon

*Note:*

- (1) These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Tuesday, 17 March 2020 until 12:00 noon on Friday, 20 March 2020 (24 hours daily except on 20 March 2020, the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Friday, 20 March 2020, the last application day or such later time as described in “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 Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public 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 Public 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.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 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 bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, 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.

### 6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. 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 Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public 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 Friday, 20 March 2020.

### 7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public 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.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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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, 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).

### 8. HOW MUCH ARE THE PUBLIC OFFER SHARE

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for 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.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 4,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC). For further details on the Offer Price, please refer to the section headed “Structure and Conditions of the Share Offer – Pricing and allocation” in this prospectus.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning; or
- Extreme Conditions

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 20 March 2020. 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 Friday, 20 March 2020 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 the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

### 10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer on Thursday, 26 March 2020 on our Company’s website at [www.clinksquared.com](http://www.clinksquared.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers (where appropriate) of successful applicants under the Public Offer 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.clinksquared.com](http://www.clinksquared.com) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 8:00 a.m. on Thursday, 26 March 2020;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- from the designated results of allocations website at [www.iporesults.com.hk](http://www.iporesults.com.hk) (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 26 March 2020 to 12:00 midnight on Wednesday, 1 April 2020;
- by telephone enquiry line by calling 2862 8555 between 9:00 a.m. and 6:00 p.m. from Thursday, 26 March 2020, Friday, 27 March 2020, Monday, 30 March 2020, Tuesday, 31 March 2020; and
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 26 March 2020 to Saturday, 28 March 2020 at all the receiving banks’ designated branches and sub-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 Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and Condition of the Share Offer” 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.

### 11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving electronic application instructions to HKSCC, 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.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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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.

**(ii) If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Joint Lead Managers 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.

**(iii) If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

### 12. 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\$0.73 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure and Conditions of the Share Offer – Conditions of the Share Offer" 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 or before Thursday, 26 March 2020.

### 13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (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).

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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No temporary document of title will be issued in respect of the Public Offer 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 Public 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 favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public 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 cheques and share certificates are expected to be posted on or before Thursday, 26 March 2020. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 27 March 2020 provided that the Share Offer has become unconditional 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.



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Personal collection

#### *(i) If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Public 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 the Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 26 March 2020 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise 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 despatched 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 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, 26 March 2020, by ordinary post and at your own risk.

#### *(ii) If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, 26 March 2020, 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, 26 March 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- *If you apply through a designated CCASS participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *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 Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 26 March 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

### ***(iii) If you apply via electronic application instructions to HKSCC***

#### *Allocation of Public Offer Shares*

For the purposes of allocating Public 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, 26 March 2020, or, on any other date determined by HKSCC or HKSCC Nominees.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- 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 Public Offering in the manner specified in “Publication of results” above on Thursday, 26 March 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 26 March 2020 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 Public 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 Public 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, 26 March 2020. Immediately following the credit of the Public 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 Public 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, 26 March 2020.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or 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 the Shares to be admitted into CCASS.

*The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.*



22nd Floor  
CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

17 March 2020

The Directors  
C-Link Squared Limited  
Grand Moore Capital Limited

Dear Sirs,

We report on the historical financial information of C-Link Squared Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-69, which comprises the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the years ended 31 December 2016, 2017 and 2018, and the nine months ended 30 September 2019 (the “Track Record Period”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2018 and 30 September 2019 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-69 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 17 March 2020 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

#### **Directors’ responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors 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 ("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 the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2016, 2017 and 2018 and 30 September 2019 and the Company as at 31 December 2018 and 30 September 2019 and of the financial performance and cash flows of the Group for each of the Track Record Period in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

**Review of interim comparative financial information**

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the nine months ended 30 September 2018 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our

responsibility is to express a conclusion on the Interim Comparative 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 inquiries, 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 Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

**Dividends**

We refer to note 13 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**

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

## I. HISTORICAL FINANCIAL INFORMATION

**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Ernst & Young PLT, Malaysia in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "Underlying Financial Statements").

The Historical Financial Information is presented in RM ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

**(a) Consolidated statements of profit or loss and other comprehensive income**

	Notes	Year ended 31 December			Nine months ended 30 September	
		2016 (RM'000)	2017 (RM'000)	2018 (RM'000)	2018 (RM'000) (Unaudited)	2019 (RM'000)
REVENUE	7	68,198	71,044	67,095	48,919	54,266
Cost of sales		<u>(51,114)</u>	<u>(50,277)</u>	<u>(40,362)</u>	<u>(31,069)</u>	<u>(32,079)</u>
Gross profit		17,084	20,767	26,733	17,850	22,187
Other income and gains	7	393	144	241	49	433
Administrative expenses		(5,336)	(6,334)	(9,949)	(7,182)	(8,284)
Finance costs	8	<u>(42)</u>	<u>(31)</u>	<u>(410)</u>	<u>(147)</u>	<u>(697)</u>
PROFIT BEFORE TAX	9	12,099	14,546	16,615	10,570	13,639
Income tax expense	12	<u>(2,884)</u>	<u>(3,391)</u>	<u>(4,835)</u>	<u>(3,257)</u>	<u>(4,332)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		<u>9,215</u>	<u>11,155</u>	<u>11,780</u>	<u>7,313</u>	<u>9,307</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>9,215</u>	<u>11,155</u>	<u>11,780</u>	<u>7,313</u>	<u>9,307</u>



## (b) Consolidated statements of financial position

			As at 31 December		As at
	Notes	2016	2017	2018	30 September
		(RM'000)	(RM'000)	(RM'000)	2019
					(RM'000)
NON-CURRENT ASSETS					
Property, plant and equipment	15	16,443	16,272	14,880	13,507
Intangible assets	16	<u>1,574</u>	<u>2,130</u>	<u>2,829</u>	<u>3,307</u>
Total non-current assets		<u>18,017</u>	<u>18,402</u>	<u>17,709</u>	<u>16,814</u>
CURRENT ASSETS					
Trade receivables	17	9,864	14,484	18,297	20,781
Prepayments, deposits and other receivables	18	1,537	1,128	2,512	4,436
Due from related parties	19	12,400	13,717	3,375	3,718
Cash and cash equivalents	20	<u>9,409</u>	<u>6,123</u>	<u>18,351</u>	<u>20,863</u>
Total current assets		<u>33,210</u>	<u>35,452</u>	<u>42,535</u>	<u>49,798</u>
CURRENT LIABILITIES					
Trade payables	21	4,219	2,621	1,097	1,200
Other payables and accruals	22	3,407	2,305	3,677	2,080
Dividend payable		500	14,800	–	–
Interest-bearing bank and other borrowings	23	195	164	2,042	2,162
Income tax payables		<u>952</u>	<u>984</u>	<u>1,153</u>	<u>1,247</u>
Total current liabilities		<u>9,273</u>	<u>20,874</u>	<u>7,969</u>	<u>6,689</u>
NET CURRENT ASSETS		<u>23,937</u>	<u>14,578</u>	<u>34,566</u>	<u>43,109</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		<u>41,954</u>	<u>32,980</u>	<u>52,275</u>	<u>59,923</u>

**APPENDIX I****ACCOUNTANTS' REPORT**

		As at 31 December			As at 30 September
	Notes	2016 (RM'000)	2017 (RM'000)	2018 (RM'000)	2019 (RM'000)
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	23	2,320	2,161	16,736	15,063
Deferred tax liabilities	24	<u>830</u>	<u>660</u>	<u>600</u>	<u>614</u>
Total non-current liabilities		<u>3,150</u>	<u>2,821</u>	<u>17,336</u>	<u>15,677</u>
Net assets		<u><u>38,804</u></u>	<u><u>30,159</u></u>	<u><u>34,939</u></u>	<u><u>44,246</u></u>
EQUITY					
Equity attributable to owners of the Company					
Issued capital	25	–	–	–	–
Reserves	26(a)	<u>38,804</u>	<u>30,159</u>	<u>34,939</u>	<u>44,246</u>
Total equity		<u><u>38,804</u></u>	<u><u>30,159</u></u>	<u><u>34,939</u></u>	<u><u>44,246</u></u>

## (c) Consolidated statements of changes in equity

Notes	Attributable to owners of the Company			Total equity (RM'000)
	Issued capital (RM'000) (note 25)	Merger reserve (RM'000) (note 26(a))	Retained profits (RM'000)	
At 1 January 2016	–	4,800	25,539	30,339
Profit and total comprehensive income for the year	–	–	9,215	9,215
Dividends	13	–	(750)	(750)
At 31 December 2016 and 1 January 2017	–	4,800*	34,004*	38,804
Profit and total comprehensive income for the year	–	–	11,155	11,155
Dividends	13	–	(19,800)	(19,800)
At 31 December 2017 and 1 January 2018	–	4,800*	25,359*	30,159
Profit and total comprehensive income for the year	–	–	11,780	11,780
Dividends	13	–	(7,000)	(7,000)
At 31 December 2018 and 1 January 2019	–	4,800*	30,139*	34,939
Profit and total comprehensive income for the period	–	–	9,307	9,307
As at 30 September 2019	–	4,800*	39,446*	44,246
At 1 January 2018	–	4,800	25,359	30,159
Profit and total comprehensive income for the period (unaudited)	–	–	7,313	7,313
At 30 September 2018 (unaudited)	–	4,800	32,672	37,472

\* These reserve accounts comprise the consolidated reserves of RM38,804,000, RM30,159,000, RM34,939,000 and RM44,246,000 in the consolidated statements of financial position as at 31 December 2016, 2017 and 2018 and 30 September 2019, respectively.

## (d) Consolidated statements of cash flows

		Year ended 31 December			Nine months ended 30 September	
	Notes	2016	2017	2018	2018	2019
		(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
					(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		12,099	14,546	16,615	10,570	13,639
Adjustments for:						
Bank interest income	7	(89)	(142)	(239)	(47)	(336)
Finance costs	8	42	31	410	147	697
Depreciation of property, plant and equipment	9	1,435	2,026	1,883	1,658	1,522
Depreciation of right-of-use assets	9	100	100	107	83	75
Amortisation of intangible assets	9	170	305	520	350	508
Impairment of items of property, plant and equipment	9	–	64	60	60	–
Write-off of items of plant and machinery	9	–	590	–	–	–
		13,757	17,520	19,356	12,821	16,105
Decrease/(increase) in trade receivables		2,404	(4,620)	(3,813)	182	(2,484)
Decrease/(increase) in prepayments, deposits and other receivables		48	409	(1,384)	(889)	(1,924)
Increase/(decrease) in trade payables		(309)	(1,598)	(1,524)	(1,870)	103
Increase/(decrease) in other payables and accruals		557	(1,102)	1,372	577	(1,585)
Cash generated from operations		16,457	10,609	14,007	10,821	10,215
Tax paid		(3,578)	(3,528)	(4,727)	(3,707)	(4,224)
Net cash flows from operating activities		12,879	7,081	9,280	7,114	5,991
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment	15	(2,484)	(2,609)	(658)	(658)	(224)
Additions to intangible assets	16	(896)	(861)	(1,219)	(891)	(986)
Interest received		89	142	239	47	336
(Increase)/decrease in amounts due from related parties		(1,279)	(1,450)	8,347	7,411	(343)
Net cash flows (used in)/from investing activities		(4,570)	(4,778)	6,709	5,909	(1,217)

# APPENDIX I

# ACCOUNTANTS' REPORT

Notes	Year ended 31 December			Nine months ended 30 September	
	2016 (RM'000)	2017 (RM'000)	2018 (RM'000)	2018 (RM'000) (Unaudited)	2019 (RM'000)
CASH FLOWS FROM FINANCING ACTIVITIES					
New bank borrowings	–	–	18,841	18,841	–
Repayment of bank borrowings	(96)	–	(442)	–	(1,518)
Repayment of lease liabilities	(104)	(82)	(51)	(43)	(63)
Dividend paid	(250)	(5,500)	(21,800)	(14,800)	–
Interest paid	(20)	(11)	(305)	(133)	(681)
Net cash flows (used in)/from financing activities	(470)	(5,593)	(3,757)	3,865	(2,262)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
Cash and cash equivalents at beginning of year/period	1,570	9,409	6,119	6,119	18,351
Cash and cash equivalents at end of year/period	9,409	6,119	18,351	23,007	20,863
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	20	5,559	4,555	8,345	4,187
Non-pledged time deposits with original maturity of less than three months when acquired	20	3,850	1,568	10,006	18,820
Cash and cash equivalents as stated in the consolidated statements of financial position	20	9,409	6,123	18,351	23,007
Bank overdrafts	23	–	(4)	–	–
Cash and cash equivalents as stated in the consolidated statements of cash flows		9,409	6,119	18,351	20,863

## (e) Statements of financial position of the Company

		As at 31 December 2018 (RM'000)	As at 30 September 2019 (RM'000)
	Notes		
<b>NON-CURRENT ASSETS</b>			
Investments in subsidiaries		<u>—</u>	<u>1</u>
<b>CURRENT ASSETS</b>			
Prepayments	18(b)	1,388	2,579
Due from a director	19(b)	—	84
Cash and cash equivalents		<u>—</u>	<u>43</u>
Total current assets		<u>1,388</u>	<u>2,706</u>
<b>CURRENT LIABILITIES</b>			
Accruals		2,162	788
Due to subsidiaries	19(b)	<u>3,312</u>	<u>9,381</u>
Total current liabilities		<u>5,474</u>	<u>10,169</u>
<b>NET CURRENT LIABILITIES</b>		<u>(4,086)</u>	<u>(7,462)</u>
Net liabilities		<u>(4,086)</u>	<u>(7,462)</u>
<b>DEFICIENCY IN ASSETS</b>			
Issued capital	25	—	—
Accumulated losses	26(b)	<u>(4,086)</u>	<u>(7,462)</u>
Deficiency in assets		<u>(4,086)</u>	<u>(7,462)</u>

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

## 1. Corporate information

C-Link Squared Limited (the “Company”) is an exempted company with limited liability incorporated in the Cayman Islands. The registered address of the Company is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands.

The Company is an investment holding company. During the Track Record Period, the Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the provision of outsourced document management services and related software applications and enterprise software solutions in Malaysia and Singapore.

The Company and its subsidiaries now comprising the Group underwent the reorganisation (“Reorganisation”) as set out in the paragraph headed “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus.

Prior to the incorporation of the Company and the completion of the Reorganisation, the principal activities of the Group were carried out by Compugraphic Media Sdn. Bhd. and Coeus Systems Sdn. Bhd. in Malaysia.

As at the end of the Track Record Period, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Malaysia, have substantially similar characteristics to a private company incorporated in Malaysia), the particulars of which are set out below:

Company name	Place and date of incorporation and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Coeus Systems (BVI) Limited (“Coeus BVI”) (Note (a))	BVI 19 June 2018	US\$100	100	–	Investment holding
Compugraphic Media (BVI) Limited (“Compugraphic BVI”) (Note (a))	BVI 19 June 2018	US\$100	100	–	Investment holding
C-Link Squared Limited (“C-Link BVI”) (Note (a))	BVI 16 August 2018	US\$100	100	–	Investment holding
Coeus Systems Sdn. Bhd. (“Coeus Systems”) (Note (b))	Malaysia 12 July 2002	RM2,400,000	–	100	Provision of outsourced document management services and enterprise software development
Compugraphic Media Sdn. Bhd. (“Compugraphic Media”) (Note (b))	Malaysia 10 February 2000	RM2,400,000	–	100	Provision of outsourced document management services and enterprise software development
C Link Squared Sdn. Bhd. (“C Link Malaysia”) (Note (c))	Malaysia 20 June 2018	RM2	–	100	Rendering of software services

*Notes:*

- (a) No audited financial statements have been prepared for these entities since incorporation as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation or have not been involved in any significant business transactions.
- (b) The statutory financial statements of these entities for the years ended 31 December 2016, 2017 and 2018 prepared under Malaysian Private Entities Reporting Standards were audited by Wong Loh Hun & Associates, certified public accountants registered in Malaysia.
- (c) No audited financial statements have been prepared for this entity for the period ended 31 December 2018 since incorporation of this entity was within 18 months from date of incorporation.

**2.1 Basis of presentation**

Pursuant to the Reorganisation, as more fully explained in the paragraph headed “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group. The companies now comprising the Group were under the common control of Mr. Ling Sheng Hwang (“Mr. F Ling”) and Mr. Ling Sheng Chung (“Mr. W Ling”) (collectively the “Controlling Shareholders”) immediately before and after the completion of the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period include the results and cash flows of all the companies now comprising the Group from the earliest date presented or since the date when the respective subsidiaries and/or business first came under the common control of the Controlling Shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 and 30 September 2019 have been prepared to present the assets and liabilities of the subsidiaries and/or business using the existing book values from the Controlling Shareholders’ perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All significant intragroup transactions and balances have been eliminated on combination.



## 2.2 Basis of preparation

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board (“IASB”). All IFRSs effective for the accounting period commencing from 1 January 2019, including IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and amendments to IFRS 15 *Clarifications to IFRS 15 Revenue From Contracts with Customers*, and IFRS 16 *Leases*, together with the relevant transitional provisions, have been early adopted by the Group throughout the Track Record Period and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention.

## 3. Issued but not yet effective International Financial Reporting Standards

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information herein.

Amendments to IFRS 3	<i>Definition of a Business</i> <sup>1</sup>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>
IFRS 17	<i>Insurance Contracts</i> <sup>2</sup>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i> <sup>1</sup>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i> <sup>1</sup>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>4</sup> No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's Historical Financial Information.

#### 4. Summary of significant accounting policies

##### *Subsidiaries*

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Except for the common control combination as mentioned above, the results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on combination in full.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets and liabilities.

***Fair value measurement***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- |         |   |   |
|---------|---|---|
| Level 1 | – | based on quoted prices (unadjusted) in active markets for identical assets or liabilities   |
| Level 2 | – | based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly |
| Level 3 | – | based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable                              |

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Track Record Period.

***Impairment of non-financial assets***

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset. An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

***Related parties***

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) 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); and
  - (viii) 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 parent of the Group.

***Property, plant and equipment and depreciation***

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2%
Leasehold improvements	10%
Plant and machinery	10-20%
Furniture, fixtures and office equipment	10-33 <sup>1</sup> / <sub>3</sub> %
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents assets under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

### ***Intangible assets (other than goodwill)***

#### ***Research and development costs***

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial productions.

***Right-of-use assets***

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. The principal annual rates used for this purpose are as follows:

Leasehold land	Over unexpired lease periods between 85 and 97 years
Office premises	10-20%

***Lease liabilities***

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.



***Short-term leases and leases of low-value assets***

The Group applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value (i.e., below US\$5,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

***Investments and other financial assets******Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue from contracts with customers" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at amortised cost (debt instruments)*

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

***Derecognition of financial assets***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

***Impairment of financial assets***

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

***General approach***

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- |         |   |  |
|---------|---|--|
| Stage 1 | – | Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs   |
| Stage 2 | – | Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs |
| Stage 3 | – | Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs                          |

#### *Simplified approach*

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

#### ***Financial liabilities***

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related parties and interest-bearing bank and other borrowings.

*Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

*Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

***Derecognition of financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

***Cash and cash equivalents***

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

***Taxes******Income tax***

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

***Deferred tax***

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

***Provisions***

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Track Record Period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

***Revenue from contracts with customers***

The Group is involved the business of providing outsourced data and document management services. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

***Outsourced document management services***

The Group enters into contracts with customers for the provision of outsourced document management services and works are performed upon receipt of job orders from the customers, typically on a monthly basis. Outsourced document management services include coding of the format/presentation of the document; converting raw data into the desired format/presentation; and delivering the document to the end-customers in an agreed mode.

Such contracts comprise a single performance obligation because the Group's promise to transfer the services to the customer is not separately identifiable as each service within the series is in fact a phase within the outsourced document management services that are highly interdependent and highly interrelated to each other in producing an integrated/combined output to the customer, i.e. to deliver the document in the desired format to its customers with a copy kept as record. Besides, the Group has not and will not provide part of the services as the customer is not likely to engage multiple parties to perform different phases of the outsourced document management services as each phase is highly interdependent and highly interrelated with each other.



The Group recognises revenue from the provision of outsourced document management services at a point in time because the customer will only receive and consume the benefits until the document is delivered to its customers.

*Enterprise software solutions:*

– *Customised software*

The Group provides customised software which is significantly modified to suit the requirements of a customer. The modification, testing and installation of the software are carried out in the customer's computer system.

The Group recognises revenue from the provision of customised software over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

– *Electronic document warehouse services*

The Group enters into contracts with customers for the provision of electronic document warehouse services which include:

- storing customers' data in electronic data warehouse.
- enabling unlimited direct data retrieval by customers.

Such contracts comprise a single performance obligation because the Group's promise to store and enable direct data retrieval to the customer is not separately identifiable as they are highly interdependent and highly interrelated to each other, i.e. the Group will not be able to provide the direct data retrieval service without having to provide the document storage services.

The Group recognises revenue from the provision of electronic document warehouse services over time because the customers receive and consume the benefits as and when the Group provides the access to the electronic document warehouse over time.

***Contract assets***

A contract asset is the right to consideration in exchange for services transferred to the customer. If the Group performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

***Contract liabilities***

A contract liability is the obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

***Employee benefits******Pension scheme***

The Group's contributions to statutory pension funds, which are defined contribution retirement plans, are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

***Dividends***

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

***Foreign currencies***

The Company's functional currency is the Hong Kong dollar ("HK\$"). Because most of the subsidiaries' functional currency is RM, the Historical Financial Information is presented in RM. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain subsidiaries are currencies other than the RM. As at the end of the reporting period, the assets and liabilities of these entities are translated into RM at the exchange rates prevailing at the end of the reporting period and their profits or losses are translated into RM at the weighted average exchange rates for each reporting period.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statements of cash flows, the cash flows of operations with functional currencies other than RM are translated into RM at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RM at the weighted average exchange rates for each reporting period.

## 5. Significant accounting judgements and estimates

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the Historical Financial Information and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

### *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

### *Depreciation of property, plant and equipment and amortisation of intangible assets*

The estimates for the residual values, useful lives and related depreciation charges for property, plant and equipment and amortisation of intangible assets are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment and intangible assets will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected

level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

*Provision for expected credit losses on trade receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the financial sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 17 to the Historical Financial Information.

*Development costs*

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 4 to the Historical Financial Information. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. As at 31 December 2016, 2017 and 2018 and 30 September 2019, the carrying amounts of capitalised development costs were RM1,574,000, RM2,130,000, RM2,829,000 and RM3,307,000, respectively.

## 6. Segment information

For management purposes, the Group has only one reportable operating segment, which is the provision of outsourced document management services, and enterprise software solutions including customised software and electronic document warehouse services. Since this is the only operating segment of the Group, no further operating segment analysis thereof is presented.

The Group's revenue from external customers was derived mainly from its operations in Malaysia during the Track Record Period, and the non-current assets of the Group were located in Malaysia as at 31 December 2016, 2017 and 2018 and 30 September 2019.

### *Geographical information*

No geographical information for the Group is presented as over 90% of the Group's revenue and assets are derived from customers and operations based in Malaysia during the Track Record Period.

### *Information about major customers*

Revenue from each major customer which accounted for 10% or more of the Group's revenue for each reporting period during the Track Record Period, is set out below:

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
				(Unaudited)	
Customer A	20,984	18,860	14,411	10,722	10,111
Customer B	7,318	8,211	11,337	8,562	7,893
Customer C	9,017	10,658	—*	4,977	5,800
Customer D	—*	—*	7,991	5,148	6,383

\* The corresponding revenue from these customers is not disclosed as its individually did not contribute 10% or more to the Group's total revenue for the relevant reporting period.

Except for the aforesaid, no revenue from a single external customer accounted for 10% or more of the Group's revenue.

## 7. Revenue, other income and gains

An analysis of the Group's revenue is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
				(Unaudited)	
<b>Revenue from contracts with customers</b>					
Enterprise software solutions:					
– Customised software	1,759	1,588	1,312	1,006	5,470
– Electronic document warehouse services	–	–	607	269	293
Outsourced document management services	66,439	69,456	65,176	47,644	48,503
Total revenue from contracts with customers	68,198	71,044	67,095	48,919	54,266
<i>Geographical markets</i>					
Malaysia	67,195	70,200	66,836	48,677	49,727
Singapore	1,003	844	259	242	4,539
Total revenue from contracts with customers	68,198	71,044	67,095	48,919	54,266
<i>Timing of revenue recognition</i>					
Point in time	66,439	69,456	65,176	47,644	48,503
Over time	1,759	1,588	1,919	1,275	5,763
Total revenue from contracts with customers	68,198	71,044	67,095	48,919	54,266

### **Performance obligations**

Information about the Group's performance obligations is summarised below:

#### *Outsourced document management services*

The performance obligation is satisfied at a point in time and payment is generally due upon completion of the service.

#### *Enterprise software solutions*

##### – *Customised software solutions*

The performance obligation is satisfied over time and payment is generally due upon achieving pre-agreed billing milestones.

– *Electronic document warehouse services*

The performance obligation is satisfied over time and payment is generally due in advance at beginning of the service periods.

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<b>Expected to be recognised:</b>				
Within one year	–	–	–	465
More than one year	–	–	–	2,422
	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,887</u>

The Group applies the practical expedient on the exemption to disclose the information on the remaining performance obligations that have original expected durations of one year or less.

The remaining performance obligations expected to be recognised in more than one year as at 30 September 2019 relate to the maintenance services to be satisfied within six years.

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
				(Unaudited)	
<b>Other income and gains</b>					
Interest income	89	142	239	47	336
Insurance compensation	304	2	2	2	–
Others	–	–	–	–	97
	<u>393</u>	<u>144</u>	<u>241</u>	<u>49</u>	<u>433</u>

## 8. Finance costs

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
				(Unaudited)	
Interest portion of lease liabilities	22	20	19	14	13
Interest on bank loans and overdrafts	20	11	391	133	684
	<u>42</u>	<u>31</u>	<u>410</u>	<u>147</u>	<u>697</u>



## 9. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December			Nine months ended 30 September	
		2016 (RM'000)	2017 (RM'000)	2018 (RM'000)	2018 (RM'000) (Unaudited)	2019 (RM'000)
Depreciation of property, plant and equipment	15	1,435	2,026	1,883	1,658	1,522
Depreciation of right-of-use assets	15	100	100	107	83	75
Rental expenses on low-value leases	15	17	–	–	–	–
Impairment of items of property, plant and equipment <sup>#</sup>	15	–	64	60	60	–
Write-off of items of plant and machinery <sup>#</sup>		–	590	–	–	–
Amortisation of intangible assets*	16	170	305	520	350	508
Auditors' remuneration		12	12	20	9	24
Employee benefit expense (including directors' remuneration (note 10)):						
Wages and salaries		7,681	7,720	8,389	6,232	6,772
Pension scheme contributions (defined contribution schemes)		629	600	963	543	685
Less: amount capitalised as software development expenditure		(896)	(861)	(1,219)	(891)	(986)
		<u>7,414</u>	<u>7,459</u>	<u>8,133</u>	<u>5,884</u>	<u>6,471</u>
Impairment of financial assets, net:						
Impairment losses on trade receivables, net	17	25	215	127	200	219
Research and development costs <sup>#</sup>		–	78	–	–	–
Listing expenses		<u>–</u>	<u>–</u>	<u>4,024</u>	<u>2,475</u>	<u>2,995</u>

\* The above item is included in "Cost of sales" in the consolidated statements of profit or loss and other comprehensive income.

<sup>#</sup> The above items are included in "Administrative expenses" in the consolidated statements of profit or loss and other comprehensive income.

**10. Directors' remuneration**

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors at any time during the Track Record Period since the Company was only incorporated in the Cayman Islands on 13 June 2018.

Mr. F Ling and Mr. W Ling were appointed as executive directors of the Company on 13 June 2018. Mr. Ling Sheng Shyan was appointed as a non-executive director on 15 February 2019, while Mr. Lee Yan Kit, Ms. Eugenia Yang and Mr. Wong Son Heng were appointed as independent non-executive directors of the Company on 11 March 2020. Mr. F Ling was appointed as the chairman and the chief executive officer of the Company on 15 February 2019.

Certain of the directors of the Company received remuneration from subsidiaries now comprising the Group for their appointments as directors of these subsidiaries or in a capacity as employees of the Group. The remuneration of each of these directors is set out below:

	Fees (RM'000)	Salaries, allowances, and benefits in kind (RM'000)	Discretionary performance- related bonuses (RM'000)	Pension scheme contributions (RM'000)	Total remuneration (RM'000)
For the year ended 31 December 2016					
Executive directors:					
Mr. F Ling	240	408	–	43	691
Mr. W Ling	240	408	–	43	691
	<u>480</u>	<u>816</u>	<u>–</u>	<u>86</u>	<u>1,382</u>
For the year ended 31 December 2017					
Executive directors:					
Mr. F Ling	240	398	–	43	681
Mr. W Ling	240	398	–	43	681
	<u>480</u>	<u>796</u>	<u>–</u>	<u>86</u>	<u>1,362</u>
For the year ended 31 December 2018					
Executive directors:					
Mr. F Ling	80	715	–	82	877
Mr. W Ling	80	715	–	82	877
	<u>160</u>	<u>1,430</u>	<u>–</u>	<u>164</u>	<u>1,754</u>

	Fees (RM'000)	Salaries, allowances, and benefits in kind (RM'000)	Discretionary performance- related bonuses (RM'000)	Pension scheme contributions (RM'000)	Total remuneration (RM'000)
For the nine months ended 30 September 2019					
Executive directors:					
Mr. F Ling	–	628	–	71	699
Mr. W Ling	–	628	–	71	699
	–	1,256	–	142	1,398
Non-executive director:					
Mr. Ling Sheng Shyan	–	–	–	–	–
	–	1,256	–	142	1,398
For the nine months ended 30 September 2018 (unaudited)					
Executive directors:					
Mr. F Ling	60	503	–	58	621
Mr. W Ling	60	503	–	58	621
	120	1,006	–	116	1,242

There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

**11. Five highest paid employees**

The five highest paid employees for the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2018 and 2019 included two, two, two, two and two directors of the Company, respectively, details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining three non-director, highest paid employees for the Track Record Period are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
				(Unaudited)	
Salaries, allowances and benefits in kind	302	323	360	259	557
Performance related bonuses	99	91	123	123	37
Pension scheme contributions	38	45	53	41	38
	<u>439</u>	<u>459</u>	<u>536</u>	<u>423</u>	<u>632</u>

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees			Nine months ended 30 September	
	Year ended 31 December	2017	2018	2018	2019
	2016			(Unaudited)	
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 remuneration was paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

**12. Income tax**

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

Malaysia corporate income tax has been provided at the rate of 24% on the estimated assessable profits arising in Malaysia for each reporting period during the Track Record Period. For the years ended 31 December 2017 and 2018, Compugraphic Media and Coeus Systems enjoyed a preferential tax rate on the incremental portion of chargeable income according to Income Tax Exemption (No. 2) Order 2017 as gazetted by the Malaysian government on 10 April 2017.

	Note	Year ended 31 December			Nine months ended 30 September	
		2016 (RM'000)	2017 (RM'000)	2018 (RM'000)	2018 (RM'000) (Unaudited)	2019 (RM'000)
Current – Malaysia						
Charge for the year/period		2,601	3,561	4,895	3,224	4,207
Underprovision in prior years/ periods		–	–	–	–	111
Deferred	24	283	(170)	(60)	33	14
Total tax charges for the year/period		<u>2,884</u>	<u>3,391</u>	<u>4,835</u>	<u>3,257</u>	<u>4,332</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the majority of the Company's subsidiaries are domiciled to the tax expenses at the Group's effective tax rates is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2016 (RM'000)	2017 (RM'000)	2018 (RM'000)	2018 (RM'000) (Unaudited)	2019 (RM'000)
Profit before tax	<u>12,099</u>	<u>14,546</u>	<u>16,615</u>	<u>10,570</u>	<u>13,639</u>
Tax at the Malaysian statutory tax rate of 24%	2,904	3,491	3,988	2,537	3,273
Lower tax rate enacted by tax authority	(25)	(30)	(60)	(60)	(70)
Effect on opening deferred tax of decrease in rates	(25)	–	–	–	–
Expenses not deductible for tax	102	117	1,063	780	1,018
Income not subject to tax	(72)	–	–	–	–
Adjustments in respect of current tax of previous periods	–	–	–	–	111
Incentive reduced tax rate under Income Tax Exemption (No.2) Order 2017	<u>–</u>	<u>(187)</u>	<u>(156)</u>	<u>–</u>	<u>–</u>
Tax charge at the Group's effective tax rate	<u>2,884</u>	<u>3,391</u>	<u>4,835</u>	<u>3,257</u>	<u>4,332</u>

**13. Dividends**

No dividend has been paid or declared by the Company during the Track Record Period.

During the Track Record Period, the dividend declared by the subsidiaries of the Company to the then shareholders are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
				(Unaudited)	
<b>Interim</b>					
2016: Compugraphic Media					
– RM0.04 per ordinary share	100	–	–	–	–
2016: Coeus Systems					
– RM0.27 per ordinary share	650	–	–	–	–
2017: Compugraphic Media					
– RM4.17 per ordinary share	–	10,000	–	–	–
2017: Coeus Systems					
– RM3.75 per ordinary share	–	9,000	–	–	–
2018: Compugraphic Media					
– RM2.5 per ordinary share	–	–	6,000	–	–
2018: Coeus Systems					
– RM0.42 per ordinary share	–	–	1,000	–	–
	<u>750</u>	<u>19,000</u>	<u>7,000</u>	<u>–</u>	<u>–</u>
<b>Proposed subsequent to the end of the reporting period</b>					
2016: Coeus Systems					
– RM0.33 per ordinary share	800	–	–	–	–
	<u>800</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

**14. Earnings per share attributable to owners of the Company**

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the basis of preparation of the results of the Group for the Track Record Period.

## 15. Property, plant and equipment

	Right-of-use assets			Owned assets							Total (RM'000)
	Leasehold land (RM'000)	Office premises (RM'000)	Sub-total (RM'000)	Buildings (RM'000)	Leasehold improvements (RM'000)	Plant and machinery (RM'000)	Furniture, fixtures and office equipment (RM'000)	Motor vehicles (RM'000)	Construction in progress (RM'000)	Sub-total (RM'000)	
<b>31 December 2016</b>											
At 1 January 2016:											
Cost	3,621	482	4,103	4,992	1,962	5,215	1,861	700	2,244	16,974	21,077
Accumulated depreciation	(319)	(8)	(327)	(457)	(564)	(2,642)	(1,030)	(563)	–	(5,256)	(5,383)
Net carrying amount	3,302	474	3,776	4,535	1,398	2,573	831	137	2,244	11,718	15,494
At 1 January 2016, net of accumulated depreciation	3,302	474	3,776	4,535	1,398	2,573	831	137	2,244	11,718	15,494
Additions	–	–	–	–	96	788	781	–	819	2,484	2,484
Depreciation provided during the year	(41)	(59)	(100)	(100)	(313)	(646)	(327)	(49)	–	(1,435)	(1,535)
Transfers	–	–	–	–	2,244	–	–	–	(2,244)	–	–
At 31 December 2016, net of accumulated depreciation	3,261	415	3,676	4,435	3,425	2,715	1,285	88	819	12,767	16,443
At 31 December 2016:											
Cost	3,621	482	4,103	4,992	4,302	6,003	2,642	700	819	19,458	23,561
Accumulated depreciation	(360)	(67)	(427)	(557)	(877)	(3,288)	(1,357)	(612)	–	(6,691)	(7,118)
Net carrying amount	3,261	415	3,676	4,435	3,425	2,715	1,285	88	819	12,767	16,443
<b>31 December 2017</b>											
At 1 January 2017:											
Cost	3,621	482	4,103	4,992	4,302	6,003	2,642	700	819	19,458	23,561
Accumulated depreciation	(360)	(67)	(427)	(557)	(877)	(3,288)	(1,357)	(612)	–	(6,691)	(7,118)
Net carrying amount	3,261	415	3,676	4,435	3,425	2,715	1,285	88	819	12,767	16,443
At 1 January 2017, net of accumulated depreciation	3,261	415	3,676	4,435	3,425	2,715	1,285	88	819	12,767	16,443
Additions	–	–	–	–	213	162	1,285	88	819	12,767	16,443
Depreciation provided during the year	(41)	(59)	(100)	(100)	(437)	(875)	(580)	(34)	1,703	2,609	2,609
Impairment	–	–	–	–	–	(64)	–	–	–	(64)	(64)
Write-off	–	–	–	–	–	(590)	–	–	–	(590)	(590)
Transfers	–	–	–	–	–	–	737	–	(737)	–	–
At 31 December 2017, net of accumulated depreciation and impairment	3,220	356	3,576	4,335	3,201	1,348	1,962	65	1,785	12,696	16,272
At 31 December 2017:											
Cost	3,621	482	4,103	4,992	4,515	5,365	3,899	711	1,785	21,267	25,370
Accumulated depreciation and impairment	(401)	(126)	(527)	(657)	(1,314)	(4,017)	(1,937)	(646)	–	(8,571)	(9,098)
Net carrying amount	3,220	356	3,576	4,335	3,201	1,348	1,962	65	1,785	12,696	16,272

	Right-of-use assets			Owned assets						Sub-total (RM'000)	Total (RM'000)	
	Leasehold land (RM'000)	Office premises (RM'000)		Buildings (RM'000)	Leasehold improvements (RM'000)	Plant and machinery (RM'000)	Furniture, fixtures and office equipment (RM'000)	Motor vehicles (RM'000)	Construction in progress (RM'000)			
31 December 2018												
At 1 January 2018:												
Cost	3,621	482		4,103	4,992	5,365	3,899	711	1,785	21,267	25,370	
Accumulated depreciation and impairment	(401)	(126)		(527)	(657)	(4,017)	(1,937)	(646)	-	(8,571)	(9,098)	
Net carrying amount	3,220	356		3,576	4,335	1,348	1,962	65	1,785	12,696	16,272	
At 1 January 2018, net of accumulated depreciation												
Additions	3,220	356		3,576	4,335	1,348	1,962	65	1,785	12,696	16,272	
Depreciation provided during the year	-	-		-	-	-	594	-	-	658	658	
Impairment	(48)	(59)		(107)	(100)	(655)	(648)	(30)	-	(1,883)	(1,990)	
Transfers	-	-		-	-	(60)	-	-	-	(60)	(60)	
	-	-		-	-	-	1,005	-	(1,005)	-	-	
At 31 December 2018, net of accumulated depreciation and impairment	3,172	297		3,469	4,235	633	2,913	35	780	11,411	14,880	
At 31 December 2018:												
Cost	3,621	482		4,103	4,992	5,365	5,498	711	780	21,925	26,028	
Accumulated depreciation and impairment	(449)	(185)		(634)	(757)	(4,732)	(2,585)	(676)	-	(10,514)	(11,148)	
Net carrying amount	3,172	297		3,469	4,235	633	2,913	35	780	11,411	14,880	
30 September 2019												
At 1 January 2019:												
Cost	3,621	482		4,103	4,992	5,365	5,498	711	780	21,925	26,028	
Accumulated depreciation and impairment	(449)	(185)		(634)	(757)	(4,732)	(2,585)	(676)	-	(10,514)	(11,148)	
Net carrying amount	3,172	297		3,469	4,235	633	2,913	35	780	11,411	14,880	
At 1 January 2019, net of accumulated depreciation												
Additions	3,172	297		3,469	4,235	633	2,913	35	780	11,411	14,880	
Depreciation provided during the period	-	-		-	-	18	206	-	-	224	224	
Transfers	(31)	(44)		(75)	(75)	(316)	(782)	(18)	-	(1,522)	(1,597)	
	-	-		-	-	530	250	-	(780)	-	-	
At 30 September 2019, net of accumulated depreciation and impairment	3,141	253		3,394	4,160	865	2,587	17	-	10,113	13,507	
At 30 September 2019:												
Cost	3,621	482		4,103	4,992	5,913	5,954	711	-	22,149	26,252	
Accumulated depreciation and impairment	(480)	(229)		(709)	(832)	(5,048)	(3,367)	(694)	-	(12,036)	(12,745)	
Net carrying amount	3,141	253		3,394	4,160	865	2,587	17	-	10,113	13,507	



As at 31 December 2016, 2017 and 2018 and 30 September 2019, certain of the Group's leasehold land and buildings with net aggregate carrying amounts of RM3,423,000, RM3,363,000, RM7,407,000 and RM7,301,000, respectively, were pledged as security for the Group's banking facilities (*note 23*).

During the Track Record Period, the Group entered into certain long-term lease contracts for office premises.

For the year ended 31 December 2016, the Group also leased certain items of office equipment under leases of low-value assets. The Group has elected not to recognise right-of-use assets on these low-value lease contracts and has recognised rental expenses from low-value assets of RM17,000 for the year ended 31 December 2016.

The Group leased office premises from Mr. W Ling, a director of the Group, with carrying amounts of RM415,000, RM356,000, RM297,000 and RM253,000 as at 31 December 2016, 2017 and 2018 and 30 September 2019.

## 16. Intangible assets

	Deferred development costs				Total (RM'000)
	Streamline output management system (RM'000)	Streamline electronic data warehouse (RM'000)	Streamline document management system phase I (RM'000)	Streamline document management system phase II (RM'000)	
<b>31 December 2016</b>					
At 1 January 2016:					
Cost and net carrying amount	<u>848</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>848</u>
At 1 January 2016, net of accumulated amortisation	848	-	-	-	848
Additions	-	896	-	-	896
Amortisation provided during the year (note 9)	<u>(170)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(170)</u>
At 31 December 2016	<u>678</u>	<u>896</u>	<u>-</u>	<u>-</u>	<u>1,574</u>
At 31 December 2016:					
Cost	848	896	-	-	1,744
Accumulated amortisation	<u>(170)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(170)</u>
Net carrying amount	<u>678</u>	<u>896</u>	<u>-</u>	<u>-</u>	<u>1,574</u>
<b>31 December 2017</b>					
At 1 January 2017:					
Cost	848	896	-	-	1,744
Accumulated amortisation	<u>(170)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(170)</u>
Net carrying amount	<u>678</u>	<u>896</u>	<u>-</u>	<u>-</u>	<u>1,574</u>
At 1 January 2017, net of accumulated amortisation	678	896	-	-	1,574
Additions	-	458	403	-	861
Amortisation provided during the year (note 9)	<u>(170)</u>	<u>(135)</u>	<u>-</u>	<u>-</u>	<u>(305)</u>
At 31 December 2017	<u>508</u>	<u>1,219</u>	<u>403</u>	<u>-</u>	<u>2,130</u>
At 31 December 2017:					
Cost	848	1,354	403	-	2,605
Accumulated amortisation	<u>(340)</u>	<u>(135)</u>	<u>-</u>	<u>-</u>	<u>(475)</u>
Net carrying amount	<u>508</u>	<u>1,219</u>	<u>403</u>	<u>-</u>	<u>2,130</u>

	Deferred development costs				
	Streamline output management system (RM'000)	Streamline electronic data warehouse (RM'000)	Streamline document management system phase I (RM'000)	Streamline document management system phase II (RM'000)	Total (RM'000)
<b>31 December 2018</b>					
At 1 January 2018:					
Cost	848	1,354	403	–	2,605
Accumulated amortisation	(340)	(135)	–	–	(475)
Net carrying amount	<u>508</u>	<u>1,219</u>	<u>403</u>	<u>–</u>	<u>2,130</u>
At 1 January 2018, net of accumulated amortisation	508	1,219	403	–	2,130
Additions	–	–	782	437	1,219
Amortisation provided during the year (note 9)	(170)	(271)	(79)	–	(520)
At 31 December 2018	<u>338</u>	<u>948</u>	<u>1,106</u>	<u>437</u>	<u>2,829</u>
At 31 December 2018:					
Cost	848	1,354	1,185	437	3,824
Accumulated amortisation	(510)	(406)	(79)	–	(995)
Net carrying amount	<u>338</u>	<u>948</u>	<u>1,106</u>	<u>437</u>	<u>2,829</u>
<b>30 September 2019</b>					
At 1 January 2019:					
Cost	848	1,354	1,185	437	3,824
Accumulated amortisation	(510)	(406)	(79)	–	(995)
Net carrying amount	<u>338</u>	<u>948</u>	<u>1,106</u>	<u>437</u>	<u>2,829</u>
At 1 January 2019, net of accumulated amortisation	338	948	1,106	437	2,829
Additions	–	–	–	986	986
Amortisation provided during the period (note 9)	(127)	(203)	(178)	–	(508)
At 30 September 2019	<u>211</u>	<u>745</u>	<u>928</u>	<u>1,423</u>	<u>3,307</u>
At 30 September 2019:					
Cost	848	1,354	1,185	1,423	4,810
Accumulated amortisation	(637)	(609)	(257)	–	(1,503)
Net carrying amount	<u>211</u>	<u>745</u>	<u>928</u>	<u>1,423</u>	<u>3,307</u>

***Impairment testing of intangible assets not yet available for use***

Impairment testing for intangible assets not yet available for use was carried out as at the respective reporting dates, irrespective of whether there is any indicator of impairment.

As at 31 December 2016, Streamline output management system (“**OMS**”), which has a carrying amount of RM0.7 million is available for use while Streamline electronic data warehouse (“**EDW**”) with a carrying amount of RM0.9 million is under development. As at 31 December 2017, Streamline OMS and EDW with carrying amounts of RM0.5 million and RM1.2 million, respectively, are available for use while Streamline document management system – Phase I (“**DMS phase I**”) with a carrying amount of RM0.4 million is under development. As at 31 December 2018, Streamline OMS, EDW and DMS phase I with carrying amounts of RM0.3 million, RM0.9 million and RM1.1 million, respectively, are available for use while Streamline document management system – Phase II (“**DMS phase II**”) with a carrying amount of RM0.4 million is under development. As at 30 September 2019, Streamline OMS, EDW and DMS phase I with carrying amounts of RM0.2 million, RM0.7 million and RM0.9 million, respectively, are available for use while Streamline DMS phase II with a carrying amount of RM1.4 million is under development.

Management has assessed the recoverable amount, based on value in use calculation using cash flow projections based on financial budgets covering a five-year period, of the intangible assets not yet available for use at the end of each Track Record Period and determined that no impairment loss was recognised for the Track Record Period as the recoverable amounts exceeded their carrying amounts. The key assumptions for each intangible asset not yet available for use are as follows:

***Streamline EDW (applicable to the financial year as at 31 December 2016)***

Key assumptions:	Growth rate	Budgeted	
		gross margin	Discount rate
	11.1%	85.1%	15.0%
Growth rate	–	Growth rate is based on management expectation of the long-term forecast growth rate of the industry with reference to external industry report.	

Budgeted gross margin	–	Budgeted gross margin represents the margin for expected contracts that can be secured by the Group for Streamline EDW which ranged from 80% to 90%, and expected market development. Management expects that the potential contracts secured in the future would be able to achieve an average gross margin of 85.1%.
Discount rate	–	A pre-tax discount of 15% is used and reflects specific risks and is determined by reference to the discount rate for the industry.
Business development	–	There will be no major changes in the existing political, legal and economic conditions in Malaysia.

Based on the result of the impairment testing, the estimated recoverable amount and headroom of Streamline EDW are RM2.2 million and RM1.3 million, respectively.

The following sensitivity analysis illustrates the impact of a hypothetical increase of the pre-tax discount rate by 1% or a decrease of the growth rate by 1% on the headroom:

Had the assumptions changed as below, the headroom would decrease by:

*(RM'000)*

Pre-tax discount rate increased by 1%	45
Growth rate decreased by 1%	35

Even if the growth rate decreased to 0%, the recoverable amount of the Streamline EDW not yet available for use would still exceed its carrying amount. An increase in the pre-tax discount rate to 70% would remove the remaining headroom.

*Streamline DMS phase I (applicable to the financial year as at 31 December 2017)*

Key assumptions:	Growth rate	Budgeted gross margin	Discount rate
	11.1%	85.1%	15.0%
Growth rate	–	Growth rate is based on management expectation of the long-term forecast growth rate of the industry with reference to external industry report.	
Budgeted gross margin	–	Budgeted gross margin represents the performance of the Group and expected market development. Management expects that the gross margin will be able to achieve an average of 85.1%.	
Discount rate	–	A pre-tax discount of 15% is used and reflects specific risks and is determined by reference to the discount rate for the industry.	
Business development	–	There will be no major changes in the existing political, legal and economic conditions in Malaysia.	

Based on the result of the impairment testing, the estimated recoverable amount and headroom of Streamline DMS phase I are RM1.9 million and RM1.5 million, respectively.

The following sensitivity analysis illustrates the impact of a hypothetical increase of the pre-tax discount rate by 1% or a decrease of the growth rate by 1% on the headroom:

Had the assumptions changed as below, the headroom would decrease by:

(RM'000)

Pre-tax discount rate increased by 1%	22
Growth rate decreased by 1%	38

Even if the growth rate decreased to 0%, the recoverable amount of the Streamline DMS phase I not yet available for use would still exceed its carrying amount. An increase in the pre-tax discount rate over 100% would remove the remaining headroom.

***Streamline DMS phase II (applicable to the financial year/period as at 31 December 2018 and 30 September 2019)***

Key assumptions:	Growth rate	Budgeted gross margin	Discount rate
	11.1%	85.1%	15.0%
Growth rate	–	Growth rate is based on management expectation of the long-term forecast growth rate of the industry with reference to external industry report.	
Budgeted gross margin	–	Budgeted gross profit margin represents the past performance of the Group and expected market development.	
Discount rate	–	A pre-tax discount of 15% is used and reflects specific risks and is determined by reference to the discount rate for industry.	
Business development	–	There will be no major changes in the existing political, legal and economic conditions in Malaysia.	

Based on the results of the impairment testing, the estimated recoverable amounts and headroom of Streamline DMS phase II are RM1.0 million and RM0.6 million, respectively, as at 31 December 2018 and are RM1.7 million and RM0.3 million, respectively, as at 30 September 2019.

The following sensitivity analysis illustrates the impact of a hypothetical increase of the discount rate by 1% or a decrease of the growth rate by 1% on the headroom:

Had the assumptions changed as below, the headroom would decrease by:

	31 December 2018 (RM'000)	30 September 2019 (RM'000)
Pre-tax discount rate increased by 1%	28	43
Growth rate decreased by 1%	21	21

Even if the growth rate decreased to 0%, the recoverable amount of the Streamline DMS phase II not yet available for use would still exceed its carrying amount as at 31 December 2018 and 30 September 2019. An increase in the pre-tax discount rate to 49% and 22%, respectively, would remove the remaining headroom as at 31 December 2018 and 30 September 2019.

Based on the result of the sensitivity analysis above, the Directors considered that there is no reasonable possible change in any of the key assumptions that would cause the carrying amounts of the respective intangible assets that are not yet available for use as at the end of each reporting period to exceed their recoverable amounts.

### 17. Trade receivables

	2016 (RM'000)	As at 31 December 2017 (RM'000)	2018 (RM'000)	As at 30 September 2019 (RM'000)
Trade receivables	10,118	14,953	18,893	21,596
Impairment	(254)	(469)	(596)	(815)
	<u>9,864</u>	<u>14,484</u>	<u>18,297</u>	<u>20,781</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally of one month, extending up to two months for certain customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit policy to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group has provided for impairment losses on trade receivables based on past experience of collecting payments. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Track Record Period, based on the invoice date and net of loss allowance, is as follows:

	2016 (RM'000)	As at 31 December 2017 (RM'000)	2018 (RM'000)	As at 30 September 2019 (RM'000)
Within one month	6,816	8,893	6,498	5,083
One to two months	1,800	2,741	4,768	4,516
Two to three months	814	1,588	2,967	3,256
Over three months	434	1,262	4,064	7,926
	<u>9,864</u>	<u>14,484</u>	<u>18,297</u>	<u>20,781</u>



The movements in the loss allowance for impairment of trade receivables are as follows:

	2016 (RM'000)	As at 31 December 2017 (RM'000)	2018 (RM'000)	As at 30 September 2019 (RM'000)
At beginning of year/period	229	254	469	596
Impairment losses, net ( <i>note 9</i> )	<u>25</u>	<u>215</u>	<u>127</u>	<u>219</u>
At end of year/period	<u>254</u>	<u>469</u>	<u>596</u>	<u>815</u>

The Group has applied the simplified approach to providing allowance for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the ECLs, the trade receivables have been grouped based on shared credit risk characteristics and the days past due. ECLs are estimated based on historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions. During the Track Record Period, the Group considered the historical loss rate and adjusted for forward looking macroeconomic data in calculating the expected credit loss rate. As at 31 December 2016, 2017 and 2018 and 30 September 2019, the expected loss rates for the trade receivables were determined according to the provision matrix as follows:

	Current	Less than one month past due	One to two months past due	Two to three months past due	More than three months past due	Total
<b>31 December 2016</b>						
Gross carrying amount (RM'000)	6,716	1,890	797	257	458	10,118
Expected credit loss rate	0.09%	0.06%	0.11%	0.25%	53.49%	
Expected credit losses (RM'000)	6	1	1	1	245	254
<b>31 December 2017</b>						
Gross carrying amount (RM'000)	8,764	2,869	1,592	634	1,094	14,953
Expected credit loss rate	0.16%	0.05%	0.78%	0.65%	40.04%	
Expected credit losses (RM'000)	14	1	12	4	438	469
<b>31 December 2018</b>						
Gross carrying amount (RM'000)	6,656	4,824	3,030	1,162	3,221	18,893
Expected credit loss rate	0.06%	0.02%	0.42%	0.34%	17.82%	
Expected credit losses (RM'000)	4	1	13	4	574	596
<b>30 September 2019</b>						
Gross carrying amount (RM'000)	6,919	4,463	3,741	1,644	4,829	21,596
Expected credit loss rate	0.11%	0.04%	0.59%	0.36%	16.11%	
Expected credit losses (RM'000)	7	2	22	6	778	815

**18. Prepayments, deposits and other receivables****(a) Group**

	As at 31 December			As at
	2016	2017	2018	30 September
	(RM'000)	(RM'000)	(RM'000)	2019
				(RM'000)
Prepayments	–	–	1,388	2,579
Deposits and other receivables	<u>1,537</u>	<u>1,128</u>	<u>1,124</u>	<u>1,857</u>
	<u>1,537</u>	<u>1,128</u>	<u>2,512</u>	<u>4,436</u>

Deposits and other receivables mainly represent GST receivables from customers, rental and utility deposits, and deposits with suppliers.

Where applicable, an impairment assessment is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The other receivables are neither past due nor impaired and their ECL consideration is set out in note 33 to the Historical Financial Information.

**(b) Company**

	As at 31 December			As at
	2016	2017	2018	30 September
	(RM'000)	(RM'000)	(RM'000)	2019
				(RM'000)
Prepayments	<u>–</u>	<u>–</u>	<u>1,388</u>	<u>2,579</u>

**19. Balances with related parties****(a) Group***Amounts due from related parties*

		Maximum amount outstanding during the year/period ended							
Notes	As at 31 December		30 September		31 December		30 September		
	2016	2017	2018	2019	2016	2017	2018	2019	
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	
Mr. F Ling	(a)	8,891	9,621	2,820	3,203	8,891	9,621	9,621	3,203
Mr. W Ling	(a)	3,509	4,096	496	498	3,509	4,096	4,096	498
Choice Comm									
Sdn. Bhd.	(b)	—	—	48	6	—	—	48	48
Compugraphic Form Sdn.									
Bhd.	(b)	—	—	11	11	—	—	11	11
		<u>12,400</u>	<u>13,717</u>	<u>3,375</u>	<u>3,718</u>				

*Notes:*

- (a) Mr. F Ling and Mr. W Ling are the Controlling Shareholders of the Group.
- (b) These entities were wholly owned by Mr. F Ling and Mr. W Ling.

The balances with related parties are non-trade in nature, interest-free, unsecured and repayable on demand. The balance as at 30 September 2019 will be settled by cash prior to the listing of the shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing").

**(b) Company***Balances with a director and subsidiaries*

The balances with a director and subsidiaries are interest-free, unsecured and repayable on demand.

**20. Cash and cash equivalents**

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Cash and bank balances	5,559	4,555	8,345	6,078
Time deposits	<u>3,850</u>	<u>1,568</u>	<u>10,006</u>	<u>14,785</u>
Cash and cash equivalents	<u><u>9,409</u></u>	<u><u>6,123</u></u>	<u><u>18,351</u></u>	<u><u>20,863</u></u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

**21. Trade payables**

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Trade payables to third parties	3,034	1,458	865	920
Trade payables to related parties (note (a))	<u>1,185</u>	<u>1,163</u>	<u>232</u>	<u>280</u>
	<u><u>4,219</u></u>	<u><u>2,621</u></u>	<u><u>1,097</u></u>	<u><u>1,200</u></u>

An ageing analysis of the trade payables as at the end of each of the Track Record Period, based on the invoice date, is as follows:

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Within one month	2,168	933	445	533
One to two months	778	690	393	457
Two to three months	142	–	20	–
Over three months	<u>1,131</u>	<u>998</u>	<u>239</u>	<u>210</u>
	<u><u>4,219</u></u>	<u><u>2,621</u></u>	<u><u>1,097</u></u>	<u><u>1,200</u></u>

The trade payables are non-interest-bearing. Trade payables are normally settled on terms of 30 days.

Note:

(a) Trade payables to related parties

	As at 31 December		As at 30 September
	2016	2017	2018
	(RM'000)	(RM'000)	(RM'000)
Compugraphic Forms Sdn. Bhd.	471	364	195
Choice Comm Sdn. Bhd.	714	799	37
	<u>1,185</u>	<u>1,163</u>	<u>232</u>
	<u>1,185</u>	<u>1,163</u>	<u>232</u>

The above related companies are controlled by the Controlling Shareholders. The trade payables to these related companies were unsecured, non-interest-bearing and have a repayment term of 30 days.

22. Other payables and accruals

	As at 31 December		As at 30 September
	2016	2017	2018
	(RM'000)	(RM'000)	(RM'000)
Other payables	3,238	2,117	1,205
Accruals	169	188	2,392
Interest payables	<u>—</u>	<u>—</u>	<u>80</u>
	<u>3,407</u>	<u>2,305</u>	<u>3,677</u>
	<u>3,407</u>	<u>2,305</u>	<u>3,677</u>

Other payables are non-interest-bearing and are normally repayable on demand.

## 23. Interest-bearing bank and other borrowings

	31 December 2016			31 December 2017			31 December 2018			30 September 2019		
	Effective interest rate (%)	Maturity	Total (RM'000)	Effective interest rate (%)	Maturity	Total (RM'000)	Effective interest rate (%)	Maturity	Total (RM'000)	Effective interest rate (%)	Maturity	Total (RM'000)
<b>Current</b>												
Bank overdrafts – secured	–	–	–	7.65	On demand	4	–	–	–	–	–	–
Bank loan – secured (note (a))	–	–	–	–	–	–	–	–	–	–	–	–
Other borrowings – secured (note (b))	5.46 – 5.61	2017	134	5.26 – 5.45	2018	128	4.90	2019	1,975	4.75	2020	2,092
Lease liabilities	4.90	2017	61	4.90	2018	32	4.90	2019	67	4.90	2020	70
			<u>195</u>			<u>164</u>			<u>2,042</u>			<u>2,162</u>
<b>Non-current</b>												
Bank loan – secured (note (a))	–	–	–	5.26 – 5.45	2027	1,789	4.90	2026	16,431	4.75	2026	14,811
Other borrowings – secured (note (b))	5.46 – 5.61	2023	404	4.90	2023	372	4.90	2023	305	4.90	2023	252
Lease liabilities	–	–	–	–	–	–	–	–	–	–	–	–
			<u>2,320</u>			<u>2,161</u>			<u>16,736</u>			<u>15,063</u>
			<u>2,515</u>			<u>2,325</u>			<u>18,778</u>			<u>17,225</u>
<b>Analysed into:</b>												
Bank loan and overdrafts repayable:												
Within one year or on demand	–	–	–	–	–	4	–	–	–	–	–	–
In the second year	–	–	–	–	–	–	–	–	–	–	–	–
In the third to fifth years, inclusive	–	–	–	–	–	–	–	–	–	–	–	–
Beyond five years	–	–	–	–	–	–	–	–	–	–	–	–
			<u>–</u>			<u>–</u>			<u>18,406</u>			<u>16,903</u>
Other borrowings repayable:												
Within one year or on demand	–	–	134	–	–	128	–	–	–	–	–	–
In the second year	–	–	141	–	–	147	–	–	–	–	–	–
In the third to fifth years, inclusive	–	–	468	–	–	495	–	–	–	–	–	–
Beyond five years	–	–	1,307	–	–	1,147	–	–	–	–	–	–
			<u>2,050</u>			<u>1,917</u>			<u>–</u>			<u>–</u>
Lease liabilities repayable:												
Within one year or on demand	–	–	61	–	–	32	–	–	67	–	–	70
In the second year	–	–	34	–	–	67	–	–	71	–	–	73
In the third to fifth years, inclusive	–	–	370	–	–	305	–	–	234	–	–	179
Beyond five years	–	–	–	–	–	–	–	–	–	–	–	–
			<u>465</u>			<u>404</u>			<u>372</u>			<u>322</u>
			<u>2,515</u>			<u>2,325</u>			<u>18,778</u>			<u>17,225</u>

*Notes:*

- (a) The bank loan amounting to RM19,000,000 was drawn down in 2018. The bank loan is repayable by instalments.
- (b) The other borrowings were denominated in RM and obtained in 2007 to finance the acquisition of a residential property owned by the Controlling Shareholders. Pursuant to the loan agreement, both the Controlling Shareholders (as borrowers) and Compugraphic Media, a wholly-owned subsidiary, (as assignor) are jointly liable to repay. The loan is repayable over twenty years and is secured by an open charge over a residential property.
- (c) Certain of the Group's bank and other borrowings are secured by:
  - (i) pledges of the Group's land and buildings with an aggregate carrying amount of RM3,423,000, RM3,363,000, RM7,407,000 and RM7,301,000 as at 31 December 2016, 2017 and 2018 and 30 September 2019, respectively (note 15);
  - (ii) a pledge of a residential property as at 31 December 2016 and 2017 which was provided by the Controlling Shareholders;
  - (iii) personal guarantees in respect of other borrowings provided by the Controlling Shareholders as at 31 December 2016 and 2017; and
  - (iv) joint and several guarantees in respect of a bank loan provided by the directors of the Group as at 31 December 2018 and 30 September 2019.
- (d) The lease liabilities payable to Mr. W Ling, a director of the Group were RM441,000, RM404,000, RM372,000 and RM322,000 as at 31 December 2016, 2017 and 2018 and 30 September 2019.
- (e) The Group's bank and other borrowings excluding the lease liabilities were at floating interest rate.
- (f) The loan which was borrowed from a bank in Malaysia that is not repayable within one year from the end of the reporting period but contains a repayment on demand clause.

The directors of the Company have obtained legal opinion that in accordance with the case laws established in Malaysia, the mere inclusion of a repayment on demand clause in a term loan agreement governed under the laws of Malaysia would not allow the bank to early terminate the facilities granted and to seek immediate repayment from the borrower unless there is a breach by the borrower, as the clause would not override other terms and conditions provided in the term loan agreement.

Accordingly, the liability associated with the term loan of the Group raised in Malaysia that contained a repayment on demand clause was classified as current and/or non-current as at 31 December 2018 and 30 September 2019 in accordance with other terms and conditions as stated in the respective term loan agreement.

Any change to the precedence established by the case laws in Malaysia relating to the interpretation of the repayment on demand clause in the future may have an impact to the classification of the term loan of the Group.

**24. Deferred tax**

The movements of deferred tax liabilities/assets during the Track Record Period are as follows:

	Depreciation allowance in excess of related depreciation (RM'000)	Development costs (RM'000)	Others (RM'000)	Total (RM'000)
At 1 January 2016	536	204	(193)	547
Deferred tax charged/(credited) to profit or loss during the year (note 12)	<u>150</u>	<u>174</u>	<u>(41)</u>	<u>283</u>
At 31 December 2016 and 1 January 2017	686	378	(234)	830
Deferred tax charged/(credited) to profit or loss during the year (note 12)	<u>(242)</u>	<u>133</u>	<u>(61)</u>	<u>(170)</u>
At 31 December 2017 and 1 January 2018	444	511	(295)	660
Deferred tax charged/(credited) to profit or loss during the year (note 12)	<u>(254)</u>	<u>168</u>	<u>26</u>	<u>(60)</u>
At 31 December 2018 and 1 January 2019	190	679	(269)	600
Deferred tax charged/(credited) to profit or loss during the period (note 12)	<u>(24)</u>	<u>114</u>	<u>(76)</u>	<u>14</u>
As at 30 September 2019	<u><u>166</u></u>	<u><u>793</u></u>	<u><u>(345)</u></u>	<u><u>614</u></u>

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

**25. Share capital**

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 13 June 2018 with authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.

On 13 June 2018, (i) one share was issued and allotted to an independent third party and then transferred from the same to Flash Dragon Company Limited ("Flash Dragon") at par value of HK\$0.01, and (ii) 99 and 100 fully paid ordinary shares were allotted and issued to Flash Dragon and Jupiter Rain Company Limited ("Jupiter Rain"), respectively, at par value. Flash Dragon and Jupiter Rain are ultimately owned by Mr. F Ling and Mr. W Ling, respectively.



**26. Reserves****(a) Group**

The amounts of the Group's reserves and the movements therein for each reporting period during the Track Record Period are presented in the consolidated statements of changes in equity.

*Merger reserve*

The merger reserve represents the aggregate of the paid-up capital of the subsidiaries now comprising the Group, and the reserve arising pursuant to the Reorganisation as detailed in note 1 above.

**(b) Company**

	Issued capital (RM'000)	Accumulated losses (RM'000)	Total (RM'000)
At date of incorporation on 13 June 2018	–	–	–
Loss for the period and total comprehensive loss for the period	–	(4,086)	(4,086)
At 31 December 2018 and 1 January 2019	–	(4,086)	(4,086)
Loss for the period and total comprehensive loss for the period	–	(3,376)	(3,376)
As at 30 September 2019	–	(7,462)	(7,462)

## 27. Notes to the consolidated statements of cash flows

Changes in liabilities arising from financing activities:

	Interest-bearing bank and other borrowings (excluding bank overdrafts) (RM'000)	Interest payables (included in other payables and accruals) (RM'000)	Dividend payable (RM'000)	Total (RM'000)
<b>As at 1 January 2016</b>	2,799	–	–	2,799
<i>Changes from financing cash flows</i>	(200)	(20)	(250)	(470)
Non-cash changes:				
Dividend declared	–	–	750	750
Interest expenses	22	20	–	42
Repayment of other loan by the Controlling Shareholders	(106)	–	–	(106)
<b>At 31 December 2016 and 1 January 2017</b>	2,515	–	500	3,015
<i>Changes from financing cash flows</i>	(82)	(11)	(5,500)	(5,593)
Non-cash changes:				
Dividend declared	–	–	19,800	19,800
Interest expenses	20	11	–	31
Repayment of other loan by the Controlling Shareholders	(132)	–	–	(132)
<b>At 31 December 2017 and 1 January 2018</b>	2,321	–	14,800	17,121
<i>Changes from financing cash flows</i>	18,348	(305)	(21,800)	(3,757)
Non-cash changes:				
Dividend declared	–	–	7,000	7,000
Interest expenses	25	385	–	410
Repayment of other loan by the Controlling Shareholders*	(1,916)	–	–	(1,916)
<b>At 31 December 2018 and 1 January 2019</b>	18,778	80	–	18,858
<i>Changes from financing cash flows</i>	(1,581)	(681)	–	(2,262)
Non-cash changes:				
Interest expenses	28	669	–	697
<b>At at 30 September 2019</b>	<u>17,225</u>	<u>68</u>	<u>–</u>	<u>17,293</u>

\* During the year ended 31 December 2018, the Controlling Shareholders fully repaid the other borrowings on behalf of the Group (note 23(b)).

**28. Contingent liabilities**

At the end of each of the Track Record Period, the Group and the Company had no significant contingent liabilities.

**29. Commitments**

The Group and the Company did not have any material capital commitment as at the end of each of the Track Record Period.

**30. Related party transactions**

- (a) In addition to the transactions and balances detailed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the Track Record Period:

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
				(Unaudited)	
Purchase of printing materials:					
Compugraphic Forms Sdn. Bhd.	2,463	2,276	1,394	1,008	973
Rendering of design service:					
Choice Comm Sdn. Bhd.	–	150	–	–	–
Lease payments to:					
Mr. W Ling ( <i>Note</i> )	<u>58</u>	<u>58</u>	<u>51</u>	<u>43</u>	<u>63</u>

The transactions were conducted on terms and conditions mutually agreed between the relevant parties.

*Note:* Included in lease payments to Mr. W Ling was an imputed interest in respect of the leased office premises amounting to RM22,000, RM20,000, RM19,000, RM13,000 and RM13,000 for the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2018 and 2019, respectively.

## (b) Outstanding balances with related parties

Other than balances with related parties disclosed elsewhere in the Historical Financial Information, the Group had no outstanding balances with related parties as at the end of each of the Track Record Period.

## (c) Compensation of key management personnel of the Group:

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
				(Unaudited)	
Fees	480	480	160	120	–
Salaries, allowances and benefits in kind	816	796	1,492	1,006	1,584
Pension scheme contributions	86	86	164	116	149
Total compensation paid to key management personnel	<u>1,382</u>	<u>1,362</u>	<u>1,816</u>	<u>1,242</u>	<u>1,733</u>

Further details of directors' emoluments are included in note 10 to the Historical Financial Information.

**31. Financial instruments by category**

As at 31 December 2016, 2017 and 2018 and 30 September 2019, all the financial assets and financial liabilities of the Group were financial assets and financial liabilities at amortised cost.

**32. Fair value and fair value hierarchy of financial instruments**

Management has assessed that the fair values of the trade receivables, financial assets included in prepayment, deposits and other receivables, amounts due from and to related parties, cash and cash equivalents, trade payables, financial liabilities included in other payables and accruals, and current interest-bearing bank and other borrowings approximate to their carrying amounts largely either due to the short term maturities of these instruments. For the non-current interest-bearing bank and other borrowings, in the opinion of directors, since they are floating rate instruments that are re-priced to market interest rate on or near the reporting date or the impact of discounting is insignificant, no disclosure of the fair value of this financial instruments is made.

**33. Financial risk management objectives and policies**

The Group's principal financial instruments include interest-bearing bank and other borrowings, trade receivables, deposits and other receivables, trade and other payables, dividend payable, amounts due from related parties and cash and cash equivalents. Details of these financial instruments are disclosed in the respective notes to the Historical Financial Information.

The Group's ordinary activities expose it to various financial risks, including interest rate risk, credit risk and liquidity risk. The risks associated with financial instruments and the policies on how to mitigate these risks are described below. Management monitors closely the Group's exposures to financial risks to ensure appropriate measures are implemented in a timely and effective manner.

***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk arising from bank borrowings. The Group does not use derivative financial instruments to hedge its exposure to interest rate fluctuations. However, it is the Group's policy to obtain the most favourable interest rates available whenever the Group obtains additional financing through bank borrowings.

The information on maturity dates and effective interest rates of financial liabilities is disclosed in their respective notes.

***Interest rate sensitivity***

The Group's term loan at floating rate was denominated in RM. At the end of each of the Track Record Period, if the interest rates had been 50 basis points higher/lower with all other variables held constant, the Group's profit before tax for the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2019 would decrease/increase by RM1,000, RM1,000, RM34,000 and RM68,000, respectively. The assumed movement in the basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

***Foreign currency risk***

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group considers itself no foreign currency risk because it has no significant foreign currency transactions, and no significant financial assets and liabilities denominated in foreign currencies outstanding at the end of the reporting period.

***Credit risk***

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit policy includes assessment and evaluation of existing and new customers' credit reliability and monitoring of receivable collections. The Group places its cash and bank balances with creditworthy institutions.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provisions for all trade receivables. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor, current market condition in relation to each debtor's exposure. The expected credit losses also incorporate forward-looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle receivables. The Group recognises lifetime expected credit losses for trade receivables based on individual significant customers or the ageing of customers collectively that are not individually significant.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

***(i) Trade receivables***

The Group provides for lifetime expected credit losses ("ECLs") for trade receivables based on historical trend, industry practices and the business environment in which the Group operates. Loss rates are based on actual loss experience and past trends. The ECLs also incorporate forward looking information such as forecast of economic conditions. Details on the ECLs on trade receivables are included in note 17.

*(ii) Other receivables and deposits carried at amortised cost*

The Group provides for 12-month ECLs for all other receivables and deposits at initial recognition. Where there is a significant deterioration in credit risk or when the other receivables are assessed to be credit-impaired, the Group provides for lifetime ECLs. The ECLs incorporate forward looking information such as forecast of economic conditions. Based on historical data and management's analysis, loss on collection is not material hence no provision is made. There were no other receivables and deposits impaired or written off during the Track Record Period.

*(iii) Amounts due from related parties*

Based on management's analysis, loss on collection is remote hence no provision is made.

There were no amounts due from related parties impaired or written off during the Track Record Period.

*Exposure to credit risk*

At the end of each of the Track Record Period the Group's maximum exposure to credit risk is represented by the carrying amounts of financial assets as disclosed in notes 17 and 18 to the Historical Financial Information.

*Credit risk concentration profile*

At 31 December 2016, 2017 and 2018 and 30 September 2019, the Group had certain concentrations of credit risk as 21%, 20%, 15% and 7% of the total trade receivables were due from the Group's largest external customer and 59%, 68%, 67% and 58% of the total trade receivables were due from the Group's five largest external customers, respectively.

**Liquidity risk**

The Group's policy is to monitor regularly the 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 the short and long term. In addition, banking facilities have been put in place for contingency purposes.

The following table details the remaining contractual maturities at the end of each of the Track Record Period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates as at the end of each of the Track Record Period) and the earliest date that the Group could be required to repay:

	Within 1 year or on demand (RM'000)	Between 1 and 2 years (RM'000)	Between 2 and 5 years (RM'000)	After 5 years (RM'000)	Total (RM'000)
<b>As at 31 December 2016</b>					
Trade payables	4,219	–	–	–	4,219
Other payables and accruals	1,615	–	–	–	1,615
Dividend payable	500	–	–	–	500
Interest-bearing bank and other borrowings	349	293	1,155	1,444	3,241
	<u>6,683</u>	<u>293</u>	<u>1,155</u>	<u>1,444</u>	<u>9,575</u>
<b>As at 31 December 2017</b>					
Trade payables	2,621	–	–	–	2,621
Other payables and accruals	1,501	–	–	–	1,501
Dividend payable	14,800	–	–	–	14,800
Interest-bearing bank and other borrowings	284	329	1,071	1,201	2,885
	<u>19,206</u>	<u>329</u>	<u>1,071</u>	<u>1,201</u>	<u>21,807</u>
<b>As at 31 December 2018</b>					
Trade payables	1,097	–	–	–	1,097
Other payables and accruals	3,525	–	–	–	3,525
Interest-bearing bank and other borrowings	2,881	2,960	8,879	8,075	22,795
	<u>7,503</u>	<u>2,960</u>	<u>8,879</u>	<u>8,075</u>	<u>27,417</u>
<b>As at 30 September 2019</b>					
Trade payables	1,200	–	–	–	1,200
Other payables and accruals	1,940	–	–	–	1,940
Interest-bearing bank and other borrowings	2,893	2,960	8,816	5,673	20,342
	<u>6,033</u>	<u>2,960</u>	<u>8,816</u>	<u>5,673</u>	<u>23,482</u>



***Capital management***

The primary objective of the Group's capital management policy is to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The directors review the capital structure on a periodical basis. As part of this review, the directors consider the cost of capital and the risks associated with the capital issued and will balance the Group's overall capital structure through new share issues as well as raising new debts or repayment of existing debts.

The Group monitors capital using a gearing ratio, which is interest-bearing bank and other borrowings divided by the total equity. Total equity refers to equity attributable to owners of the Company. The gearing ratio as at the end of each of the Track Record Period was as follows:

	As at 31 December		As at 30 September	
	2016	2017	2018	2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Interest-bearing bank and other borrowings	2,515	2,325	18,778	17,225
Equity attributable to owners of the Company	38,804	30,159	34,939	44,246
Gearing ratio (%)	6	8	54	39

**III. EVENTS AFTER THE TRACK RECORD PERIOD**

Subsequent to the Track Record Period, on 12 March 2020, the Company declared a dividend amounting to RM13 million in total to its shareholders, all of which will be paid in cash prior to the Listing of the shares of the Company on the Stock Exchange.

**IV. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 September 2019.

*The information set forth in this appendix does not form part of the Accountants' Report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, as set forth in Appendix I to this prospectus, and is included herein for illustrative 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 forth in Appendix I to this prospectus.*

#### **A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS**

The following unaudited pro forma statement of adjusted consolidated net tangible assets prepared by the directors of the Company in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants and on the basis of the notes set out below, is set forth to illustrate the effect of the Share Offer on the consolidated net tangible assets of the Group attributable to owners of the Company as if it had taken place on 30 September 2019. The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 30 September 2019 or any future dates had the Share Offer been completed on those dates.

	Consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2019 (RM'000) (note 1)	Estimated net proceeds from the Share Offer (RM'000) (note 2)	Unaudited Pro forma adjusted consolidated net tangible assets of the Group (RM'000)	Pro forma adjusted consolidated net tangible assets of the Group per Share	
				RM (note 3)	HK\$ equivalent (note 3)
Based on the minimum indicative offer price of HK\$0.63 per Offer Share	40,939	48,407	89,346	0.112	0.211
Based on the maximum indicative offer price of HK\$0.73 per Offer Share	40,939	57,402	98,341	0.123	0.232

*Notes:*

- (1) The amount of the consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2019 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the consolidated net assets attributable to owners of the Company as of 30 September 2019 of RM44,246,000 after deducting intangible assets of RM3,307,000.
- (2) The estimated net proceeds from the Share Offer are based on the minimum and maximum indicative offer prices of HK\$0.63 and HK\$0.73 per Offer Share, respectively, and after deduction of the estimated underwriting fees and other listing expenses payable by the Company (excluding listing expenses, which have been recognised in profit or loss prior to 30 September 2019). The estimated net proceeds are converted at the rate of RM1=HK\$1.89.
- (3) The amount of the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is calculated based on 800,000,000 Shares expected to be in issue immediately following the completion of the Share Offer on 27 March 2020, but takes no account of any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
- (4) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company does not take into account a dividend of RM13,000,000 declared on 12 March 2020 by our Company. Such dividend is expected to be paid before the Listing. Had the special dividend been taken into account, our unaudited pro forma adjusted consolidated net tangible assets per Share would be HK\$0.180 (assuming an Offer Price of HK\$0.63 per Share) and HK\$0.202 (assuming an Offer Price of HK\$0.73 per Share), respectively.
- (5) Except for those mentioned above, no adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2019.
- (6) The HK\$ equivalent amount is converted at the rate of RM1=HK\$1.89.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this prospectus.*



22nd Floor  
CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

17 March 2020

**To the Directors of C-Link Squared Limited**

We have completed our assurance engagement to report on the compilation of pro forma financial information of C-Link Squared Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 30 September 2019 and related notes as set out in Section A of Appendix II to the prospectus of the Company dated 17 March 2020 (the “Prospectus”) issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Section A of Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Share Offer of the Company on the Group's financial position as at 30 September 2019 as if the transaction had taken place at 30 September 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the nine months ended 30 September 2019, on which an accountants' report has been published.

**Directors' responsibility 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 (“AG”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

**Our independence and quality control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, 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 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 purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the 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 the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the Share Offer of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction 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 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 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.

### **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 purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

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## APPENDIX III      UNAUDITED PRELIMINARY FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2019

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*The following is the preliminary financial information of our Group as at and for the year ended 31 December 2019 (the “**2019 Preliminary Financial Information**”), together with comparative financial information as at and for the year ended 31 December 2018 and a discussion of changes in our financial condition and results of operations between the two periods. The 2019 Preliminary Financial Information does not constitute the consolidated financial statements of the Group for the year ended 31 December 2019 but is extracted from those financial statements. The 2019 Preliminary Financial Information was not audited. Investors should bear in mind that the 2019 Preliminary Financial Information in this appendix may be subject to adjustments.*

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
	Notes	2018	2019
		(RM'000)	(RM'000)
			(Unaudited)
REVENUE	4	67,095	71,526
Cost of sales		<u>(40,362)</u>	<u>(41,904)</u>
Gross profit		26,733	29,622
Other income and gains		241	566
Administrative expenses		(9,949)	(10,258)
Finance costs	5	<u>(410)</u>	<u>(915)</u>
PROFIT BEFORE TAX	6	16,615	19,015
Income tax expense	7	<u>(4,835)</u>	<u>(5,962)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>11,780</u>	<u>13,053</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>11,780</u>	<u>13,053</u>

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**APPENDIX III      UNAUDITED PRELIMINARY FINANCIAL INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		<b>As at 31 December</b>	
	<i>Notes</i>	<b>2018</b>	<b>2019</b>
		<i>(RM'000)</i>	<i>(RM'000)</i>
			<i>(Unaudited)</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		14,880	13,087
Intangible assets		<u>2,829</u>	<u>3,431</u>
Total non-current assets		<u>17,709</u>	<u>16,518</u>
<b>CURRENT ASSETS</b>			
Trade receivables	10	18,297	19,229
Prepayments, deposits and other receivables		2,512	4,497
Due from related parties		3,375	3,893
Cash and cash equivalents		<u>18,351</u>	<u>26,097</u>
Total current assets		<u>42,535</u>	<u>53,716</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	11	1,097	1,193
Other payables and accruals		3,677	2,161
Interest-bearing bank and other borrowings		2,042	2,189
Income tax payables		<u>1,153</u>	<u>1,603</u>
Total current liabilities		<u>7,969</u>	<u>7,146</u>
<b>NET CURRENT ASSETS</b>		<u>34,566</u>	<u>46,570</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>52,275</u>	<u>63,088</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		16,736	14,504
Deferred tax liabilities		<u>600</u>	<u>591</u>
Total non-current liabilities		<u>17,336</u>	<u>15,095</u>
Net assets		<u><u>34,939</u></u>	<u><u>47,993</u></u>



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**APPENDIX III      UNAUDITED PRELIMINARY FINANCIAL INFORMATION**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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	<b>As at 31 December</b>	
	<b>2018</b>	<b>2019</b>
	<i>(RM'000)</i>	<i>(RM'000)</i>
		(Unaudited)
<b>EQUITY</b>		
<b>Equity attributable to owners of</b>		
<b>the Company</b>		
Issued capital	—	—
Reserves	<u>34,939</u>	<u>47,993</u>
Total equity	<u><u>34,939</u></u>	<u><u>47,993</u></u>

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## **APPENDIX III      UNAUDITED PRELIMINARY FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2019**

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### **NOTES TO THE 2019 PRELIMINARY FINANCIAL INFORMATION**

#### **1.    Basis of presentation**

Pursuant to the reorganisation of the Company in connection with the listing of its shares on the Stock Exchange (the “Reorganisation”), the Company became the holding company of the subsidiaries now comprising the Group. The companies now comprising the Group were under the common control of Mr. Ling Sheng Hwang (“Mr. F Ling”) and Mr. Ling Sheng Chung (“Mr. W Ling”) (collectively the “Controlling Shareholders”) immediately before and after the completion of the Reorganisation. Accordingly, this financial information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the reporting period.

The consolidated statement of profit or loss and other comprehensive income of the Group for the reporting period include the results of all the companies now comprising the Group from the earliest date presented or since the date when the respective subsidiaries and/or business first came under the common control of the Controlling Shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2018 and 2019 have been prepared to present the assets and liabilities of the subsidiaries and/or business using the existing book values from the Controlling Shareholders’ perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation. All significant intragroup transactions and balances have been eliminated on consolidation.

#### **2.    Basis of preparation**

The 2019 Preliminary Financial Information extracted from the financial statements which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board (“IASB”), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”). The accounting policies used in the preparation of the 2019 Preliminary Financial Information are consistent with those used in the Accountants’ Report as set out in Note 4 in “Appendix I – Accountants’ Report”.

The 2019 Preliminary Financial Information has been prepared under the historical cost convention and are presented in Ringgit Malaysia (“RM”) and all values are rounded to the nearest thousand except when otherwise indicated.

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## APPENDIX III      UNAUDITED PRELIMINARY FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2019

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### 3. Segment information

For management purposes, the Group has only one reportable operating segment, which is the provision of outsourced document management services, and enterprise software solutions including customised software and electronic document warehouse services. Since this is the only operating segment of the Group, no further operating segment analysis thereof is presented.

The Group's revenue from external customers was derived mainly from its operations in Malaysia during the year, and the non-current assets of the Group were located in Malaysia as at 31 December 2018 and 2019.

#### ***Geographical information***

No geographical information for the Group is presented as over 90% of the Group's revenue and assets are derived from customers and operations based in Malaysia.

#### ***Information about major customers***

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the year is set out below:

	Year ended 31 December	
	2018	2019
	(RM'000)	(RM'000)
		(Unaudited)
Customer A	14,411	13,254
Customer B	11,337	10,350
Customer C	—*	7,500
Customer D	<u>7,991</u>	<u>8,330</u>

\*      The corresponding revenue from these customers is not disclosed as it individually did not contribute 10% or more to the Group's total revenue for the reporting period.

Except for the aforesaid, no revenue from a single external customer accounted for 10% or more of the Group's revenue.

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**APPENDIX III      UNAUDITED PRELIMINARY FINANCIAL INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**4. Revenue**

An analysis of the Group's revenue is as follows:

	<b>Year ended 31 December</b>	
	2018	2019
	(RM'000)	(RM'000)
		(Unaudited)
<b>Revenue from contracts with customers</b>		
Enterprise software solutions:		
– Customised software	1,312	6,505
– Electronic document warehouse services	607	534
Outsourced document management services	<u>65,176</u>	<u>64,487</u>
 Total revenue from contracts with customers	 <u><u>67,095</u></u>	 <u><u>71,526</u></u>
 <i>Geographical markets</i>		
Malaysia	66,836	66,750
Singapore	<u>259</u>	<u>4,776</u>
 Total revenue from contracts with customers	 <u><u>67,095</u></u>	 <u><u>71,526</u></u>
 <i>Timing of revenue recognition</i>		
Point in time	65,176	64,487
Over time	<u>1,919</u>	<u>7,039</u>
 Total revenue from contracts with customers	 <u><u>67,095</u></u>	 <u><u>71,526</u></u>

***Performance obligations***

Information about the Group's performance obligations is summarised below:

*Outsourced document management services*

The performance obligation is satisfied at a point in time and payment is generally due upon completion of the service.

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*Enterprise software solutions*

– *Customised software solutions*

The performance obligation is satisfied over time and payment is generally due upon achieving pre-agreed billing milestones.

– *Electronic document warehouse services*

The performance obligation is satisfied over time and payment is generally due in advance at beginning of the service periods.

	<b>As at 31 December</b>	
	<b>2018</b>	<b>2019</b>
	<i>(RM'000)</i>	<i>(RM'000)</i>
		(Unaudited)
<b>Expected to be recognised:</b>		
Within one year	–	1,136
More than one year	<u>–</u>	<u>4,225</u>
	<u>–</u>	<u>5,361</u>

The Group applies the practical expedient on the exemption to disclose the information on the remaining performance obligations that have original expected durations of one year or less.

The remaining performance obligations expected to be recognised in more than one year as at 31 December 2019 relate to the maintenance services to be satisfied within six years.

**5. Finance costs**

	<b>Year ended 31 December</b>	
	<b>2018</b>	<b>2019</b>
	<i>(RM'000)</i>	<i>(RM'000)</i>
		(Unaudited)
Interest portion of lease liabilities	19	17
Interest on bank loans and overdrafts	<u>391</u>	<u>898</u>
	<u>410</u>	<u>915</u>

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**6. Profit before tax**

The Group's profit before tax is arrived at after charging/(crediting):

	<b>Year ended 31 December</b>	
	<b>2018</b>	<b>2019</b>
	<i>(RM'000)</i>	<i>(RM'000)</i>
		<i>(Unaudited)</i>
Depreciation of property, plant and equipment	1,883	1,969
Depreciation of right-of-use assets	107	107
Impairment of items of property, plant and equipment	60	–
Amortisation of intangible assets	520	677
Impairment of financial assets, net:		
Impairment losses on trade receivables, net	127	170
Employee benefit expense		
(including directors' remuneration)		
Wages and salaries	8,389	7,741
Pension scheme contributions		
(defined contribution schemes)	963	771
Less: amount capitalised as software development expenditure	<u>(1,219)</u>	<u>(1,278)</u>
	<u>8,133</u>	<u>7,234</u>
Listing expenses	<u><u>4,024</u></u>	<u><u>3,540</u></u>

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### 7.      Income tax

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.

Malaysia corporate income tax has been provided at the rate of 24% on the estimated assessable profits arising in Malaysia. For the years ended 31 December 2018 and 2019, Compugraphic Media and Coeus Systems enjoyed a preferential tax rate on the incremental portion of chargeable income according to Income Tax Exemption (No. 2) Order 2017 as gazetted by the Malaysian government on 10 April 2017.

	Year ended 31 December	
	2018	2019
	(RM'000)	(RM'000)
		(Unaudited)
Current – Malaysia		
Charge for the year	4,895	5,859
Underprovision in prior years	–	111
Deferred	<u>(60)</u>	<u>(8)</u>
 Total tax charges for the year	 <u><u>4,835</u></u>	 <u><u>5,962</u></u>

### 8.      Dividends

The Board did not recommend the payment of any dividend in respect of the profit for the year ended 31 December 2019 (2018: Nil).

### 9.      Earnings per share

Earnings per share information is not presented as its inclusion, for the purpose of this 2019 Preliminary Financial Information, is not considered meaningful due to the Reorganisation and the basis of presentation of the results of the Group for the years ended 31 December 2018 and 2019.

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**10. Trade receivables**

	<b>As at 31 December</b>	
	<b>2018</b>	<b>2019</b>
	<i>(RM'000)</i>	<i>(RM'000)</i>
		(Unaudited)
Trade receivables	18,893	19,995
Impairment	<u>(596)</u>	<u>(766)</u>
	<u>18,297</u>	<u>19,229</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally of one month, extending up to two months for certain customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit policy to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group has provided for impairment losses on trade receivables based on past experience of collecting payments. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each reporting period, based on the invoice date and net of loss allowance, is as follows:

	<b>As at 31 December</b>	
	<b>2018</b>	<b>2019</b>
	<i>(RM'000)</i>	<i>(RM'000)</i>
		(Unaudited)
Within one month	6,498	7,947
One to two months	4,768	3,026
Two to three months	2,967	1,599
Over three months	<u>4,064</u>	<u>6,657</u>
	<u>18,297</u>	<u>19,229</u>



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**11. Trade payables**

	<b>As at 31 December</b>	
	<b>2018</b>	<b>2019</b>
	<i>(RM'000)</i>	<i>(RM'000)</i>
		(Unaudited)
Trade payables to third parties	865	969
Trade payables to related parties	<u>232</u>	<u>224</u>
	<u>1,097</u>	<u>1,193</u>

An ageing analysis of the trade payables as at the end of each reporting period, based on the invoice date, is as follows:

	<b>As at 31 December</b>	
	<b>2018</b>	<b>2019</b>
	<i>(RM'000)</i>	<i>(RM'000)</i>
		(Unaudited)
Within one month	445	435
One to two months	393	556
Two to three months	20	–
Over three months	<u>239</u>	<u>202</u>
	<u>1,097</u>	<u>1,193</u>

The trade payables are non-interest-bearing. Trade payables are normally settled on terms of 30 days.

**12. Event after the reporting period**

On 12 March 2020, the Company declared a dividend of RM13 million in total to its shareholders, all of which will be paid in cash prior to the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

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## **APPENDIX III      UNAUDITED PRELIMINARY FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2019**

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### **MANAGEMENT DISCUSSION AND ANALYSIS**

#### **Business Review**

We are a Malaysian-based outsourced document management services provider and related software applications and enterprise software solutions developer. Our outsourced document management services include (i) electronic document delivery; (ii) document print & mail fulfilment; (iii) MICR Cheque print & mail fulfilment; (iv) medical ID card print & mail fulfilment; and (v) document imaging and scanning services.

In or around 2005, we commenced developing our proprietary software applications that focused on digital transformation of documents and information and providing outsourced services in electronic document, print document delivery and document management hosting services for Malaysian companies in banking, insurance and retail industries. In addition to using our proprietary software for our outsourced document management services, we also provide enterprise software solutions to our customers.

For the year ended 31 December 2019, our revenue increased by approximately RM4.4 million or 6.6% from approximately RM67.1 million for the year ended 31 December 2018 to approximately RM71.5 million for the year ended 31 December 2019. As a result of increase in gross profit, our net profit increased by approximately 10.8% from approximately RM11.8 million for the year ended 31 December 2018 to approximately RM13.1 million for the year ended 31 December 2019.

#### **Future Plans and Prospects**

We intend to achieve sustainable growth in our business and create long-term shareholders' value. To achieve our goals, we proposed to implement the following strategies:

1. Expanding our Group's data processing and technical capacity
  - (a) Build a new data centre to upgrade our IT infrastructure for expanding our outsourced document management services and our enterprise software solutions
  - (b) Strengthen our Group's technical operation support team
  - (c) Expand our R&D team to develop new applications within our Streamline Suite and front-end solutions

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2. Expanding our market presence locally and explore expansion regionally to capture further market share
  - (a) Maintain and strengthen our relationship with existing customers, and capture new customers within Malaysia and Singapore
  - (b) Pursue appropriate strategic acquisitions and business opportunities
3. Increase our Group's visibility, operational efficiency and profitability through obtaining MSC Malaysia status

Except for Listing expenses as disclosed in this prospectus, to the best of our Directors' knowledge, since 31 December 2019, there was no material adverse change to our financial position or business prospects in 2020 up to the Latest Practicable Date.

### **Result of operations**

#### ***Revenue***

Our total revenue amounted to approximately RM67.1 million and RM71.5 million for the years ended 31 December 2018 and 2019, respectively, which was mainly derived from provision of outsourced document management services and enterprise software solutions.

#### *Outsourced document management services*

Outsourced document management services mainly involve electronic document delivery, document print and mail fulfilment and document imaging and scanning services.

Our revenue generated from the provision of outsourced document management services represent approximately 97.1% and 90.2% of the total revenue for the years ended 31 December 2018 and 2019, respectively. Our revenue from the provision of outsourced document management services maintained at a similar level of approximately RM65.2 million for the year ended 31 December 2018 and approximately RM64.5 million for the year ended 31 December 2019.

#### *Enterprise software solutions*

We provide enterprise software solutions to our customers using our proprietary streamline software and generated revenue mainly from license fee, maintenance fee and implementation fee.

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Our revenue generated from the provision of enterprise software solutions represent approximately 2.9% and 9.8% of the total revenue for the years ended 31 December 2018 and 2019, respectively. Our revenue from provision of enterprise software solutions increased from approximately RM1.9 million for the year ended 31 December 2018 to approximately RM7.0 million for the year ended 31 December 2019 mainly due to (i) revenue of approximately RM2.5 million contributed from an existing customer which is a financial institution in Singapore for provision of Streamline OMS solution services and related software license fee; and (ii) revenue of approximately RM2.3 million for provision of Streamline Suite solution services contributed from a new customer which is a private company in Singapore engaged in the provision of information technology solutions.

### ***Cost of sales***

Our cost of sales increased slightly by approximately RM1.5 million or 3.8% from approximately RM40.4 million for the year ended 31 December 2018 to approximately RM41.9 million for the year ended 31 December 2019. Such increase was mainly attributable to (i) the increase in cost of purchase of materials, which was mainly due to increase of medical ID card printing and mail fulfilment services provided and increase of supply of materials of document printing and mail fulfilment; and (ii) the increase of upkeep of assets mainly due to the increase of maintenance expenses for the printers.

### ***Gross profit and gross profit margin***

Our gross profit increased by approximately RM2.9 million or 10.8% from approximately RM26.7 million for the year ended 31 December 2018 to approximately RM29.6 million for the year ended 31 December 2019. Our gross profit margin increased by approximately 1.6% points from approximately 39.8% for the year ended 31 December 2018 to approximately 41.4% for the year ended 31 December 2019. The increase in gross profit and gross profit margin was mainly attributable to (i) significant increase of provision of enterprise software solution services to our customers which have higher gross profit margin; and (ii) increase of electronic services such as electronic statements and delivery services and decrease of printing and mail fulfillment services provided to our customers under outsourced document management services due to the ongoing trend of the greater adoption of document digitalisation within enterprises. Electronic services generally have higher gross profit margin as the process is highly automated using streamline applications while more cost was involved in printing and mail fulfillment services such as postage charge and materials.

### ***Other income and gains***

Our other income and gains increased from approximately RM241,000 for the year ended 31 December 2018 to approximately RM566,000 for the year ended 31 December 2019 mainly due to the increase in interest received.

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### ***Administrative expenses***

Our administrative expenses maintained at a similar level of approximately RM9.9 million for the year ended 31 December 2018 and approximately RM10.3 million for the year ended 31 December 2019.

### ***Finance costs***

Our finance costs increased from approximately RM410,000 for the year ended 31 December 2018 to approximately RM915,000 for the year ended 31 December 2019 mainly due to the interest of a new term loan of RM19.0 million which was drawn down in August 2018.

### ***Profit before tax***

Our profit before tax increased by approximately RM2.4 million or 14.4% from approximately RM16.6 million for the year ended 31 December 2018 to approximately 19.0 million for the year ended 31 December 2019. Such increase was primarily due to an increase in gross profit in an approximate sum of RM2.9 million.

### ***Income tax expense***

Our income tax expense increased from approximately RM4.8 million for the year ended 31 December 2018 to approximately RM6.0 million for the year ended 31 December 2019. Such increase was mainly due to the increase of profit before tax and the increase of non-deductible expenses mainly attributable to interest on term loan.

### ***Profit for the year and net profit margin***

Our profit for the year increased by approximately RM1.3 million or 10.8% from approximately RM11.8 million for the year ended 31 December 2018 to approximately RM13.1 million for the year ended 31 December 2019 mainly due to the reason as mentioned above. Our net profit margin increased from approximately 17.6% for the year ended 31 December 2018 to approximately 18.2% for the year ended 31 December 2019.

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**Discussion of Certain Key Balance Sheet Items**

***Net Current Assets***

The following table sets forth a breakdown of our current assets and current liabilities as of the dates indicated:

	<b>As at 31 December</b>	
	<b>2018</b>	<b>2019</b>
	<i>(RM'000)</i>	<i>(RM'000)</i>
		(Unaudited)
<b>Current assets</b>		
Trade receivables	18,297	19,229
Prepayments, deposits and other receivables	2,512	4,497
Due from related parties	3,375	3,893
Cash and cash equivalents	<u>18,351</u>	<u>26,097</u>
 Total current assets	 <u>42,535</u>	 <u>53,716</u>
 <b>Current liabilities</b>		
Trade payables	1,097	1,193
Other payables and accruals	3,677	2,161
Interest-bearing bank and other borrowings	2,042	2,189
Income tax payables	<u>1,153</u>	<u>1,603</u>
 Total current liabilities	 <u>7,969</u>	 <u>7,146</u>
 <b>Net current assets</b>	 <u><u>34,566</u></u>	 <u><u>46,570</u></u>

Our net assets increased from approximately RM34.6 million as at 31 December 2018 to approximately RM46.6 million as at 31 December 2019 mainly due to the increase of prepayments, deposits and other receivables and cash and cash equivalents.

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## APPENDIX III      UNAUDITED PRELIMINARY FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2019

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### ***Trade receivables***

Our trade receivables increased from approximately RM18.3 million to approximately RM19.2 million as at 31 December 2019. Such increase was in line with the increase in revenue and mainly due to the amount due from one customer in Singapore for enterprise software solution services.

The table below sets out our average trade receivable turnover days for the relevant years indicated:

	Year ended 31 December	
	2018	2019
Average trade receivable turnover days ( <i>Note</i> )	<u>89</u>	<u>96</u>

*Note:* Average trade receivable turnover days is calculated as the average of the beginning and ending trade receivable balances for the year, divided by the revenue for that year, multiplied by 365 days.

Our average trade receivables turnover days increased from approximately 89 days for the year ended 31 December 2018 to approximately 96 days for the year ended 31 December 2019 mainly due to increase of trade receivable balance due to the reason mentioned above.

### ***Prepayments, deposits and other receivables***

Our prepayments, deposits and other receivables increased from approximately RM2.5 million as at 31 December 2018 to approximately RM4.5 million as at 31 December 2019 mainly due to the increase of prepayment for listing expenses and the increase of deposit for postage services.

### ***Trade payables***

Our trade payables maintained at a similar level of approximately RM1.1 million and RM1.2 million as at 31 December 2018 and 2019, respectively. The credit term on trade payables is generally 30 days.

The table below sets out our average trade payable turnover days for the relevant years indicated:

	Year ended 31 December	
	2018	2019
Average trade payable turnover days ( <i>Note</i> )	<u>17</u>	<u>10</u>

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*Note:* Average trade payable turnover days is calculated as the average of the beginning and ending trade payable balances for the year, divided by the cost of sales for that year, multiplied by 365 days.

The average trade payable turnover days decreased from approximately 17 days for the year ended 31 December 2018 to approximately 10 days for the year ended 31 December 2019 mainly due to high beginning trade payable balance for the year ended 31 December 2018.

### ***Other payables and accruals***

Our other payables and accruals decreased from approximately RM3.7 million as at 31 December 2018 to approximately RM2.2 million as at 31 December 2019 mainly due to the decrease of accrual for listing expenses.

### ***Property, plant and equipment***

Our Group's property, plant and equipment primarily consists of land and buildings, leasehold improvements, plant and machinery, furniture, fixtures and office equipment, motor vehicles and construction in progress. The decrease in the carrying amounts of the property, plant and equipment from approximately RM14.9 million as at 31 December 2018 to approximately RM13.1 million as at 31 December 2019 was mainly due to the depreciation provided for the year.

### ***Intangible assets***

Our Group's intangible assets includes Streamline OMS, EDW, DMS phase I and DMS phase II. As at 31 December 2018 and 2019, Streamline OMS, EDW and DMS phase I are available for use and Streamline DMS phase II is under development. The carrying amount of our Group's internally developed technologies was approximately RM2.8 million and RM3.4 million as at 31 December 2018 and 2019, respectively. The increase in carrying amount was due to continuous development of our Streamline DMS phase II.

### **Capital and Contractual Commitments**

We had no material capital commitments as at 31 December 2018 and 2019.



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**Indebtedness**

The following table sets forth our indebtedness as of the dates indicated:

	<b>As at 31 December</b>	
	<b>2018</b>	<b>2019</b>
	<i>(RM'000)</i>	<i>(RM'000)</i>
		(Unaudited)
<b>Current liabilities</b>		
Bank loan	1,975	2,118
Lease liabilities	<u>67</u>	<u>71</u>
	<u>2,042</u>	<u>2,189</u>
<b>Non-current liabilities</b>		
Bank loan	16,431	14,271
Lease liabilities	<u>305</u>	<u>233</u>
	<u>16,736</u>	<u>14,504</u>
	<u><u>18,778</u></u>	<u><u>16,693</u></u>

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## APPENDIX III      UNAUDITED PRELIMINARY FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2019

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### ***Bank loan***

The bank loan amounting RM19.0 million was drawn down in August 2018 for working capital purpose and is repayable by instalments for 96 months.

As at 31 December 2018 and 2019, the bank loan bore a floating interest rate at the bank's base lending rate minus 2.1% per annum. The interest rates on bank loan as at 31 December 2018 and 2019 are 4.90% and 4.75% per annum, respectively.

The bank loan is secured and guaranteed by:

- (i) pledges of our Group's land and buildings with an aggregate carrying amount of approximately RM7.3 million as at 31 December 2019; and
- (ii) guarantees provided by Mr. F Ling and Mr. W Ling.

The above guarantees will be replaced by the corporate guarantees provided by our Company in favour of the bank in accordance with the terms of the relevant agreements, or the relevant borrowing will be repaid, upon the Listing.

### ***Lease liabilities***

The lease liabilities mainly represented lease liabilities payable to Director of the Group amounted to approximately RM372,000 and RM304,000 as at 31 December 2018 and 2019.

### ***Contingent Liabilities***

There was no outstanding litigation nor any other contingent liabilities as at 31 December 2019. Save as aforesaid or as otherwise disclosed herein, we did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances, or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 31 December 2019.

Our Directors have confirmed that there has not been any material adverse change in our Group's indebtedness and contingent liabilities since 31 December 2019.

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**Key Financial Ratios**

	<i>Notes</i>	<b>As at 31 December</b>	
		<b>2018</b>	<b>2019</b>
Current ratio ( <i>times</i> )	<i>1</i>	5.3	7.5
Gearing ratio (%)	<i>2</i>	53.7	34.8
Debt to equity ratio (%)	<i>3</i>	1.2	N/A
		<b>Year ended 31 December</b>	
		<b>2018</b>	<b>2019</b>
Interest coverage ratio ( <i>times</i> )	<i>4</i>	41.5	21.8
Return on total assets (%)	<i>5</i>	19.6	18.6
Return on equity (%)	<i>6</i>	33.7	27.2

*Notes:*

- (1) Current ratio is calculated based on our total current assets divided by our total current liabilities as of the end of each reporting year.
- (2) Gearing ratio is calculated based on the total debt divided by the total equity as at the end of the respective year and multiplied by 100%. Debts are defined to include payables incurred not in the ordinary course of business.
- (3) Debt to equity ratio is calculated based on the net debt divided by the total equity as at the end of the respective year and multiplied by 100%. Net debts are defined to include all borrowings net of cash and cash equivalents.
- (4) Interest coverage ratio is calculated based on profit for the year before finance costs and income tax divided by our finance costs for each reporting year.
- (5) Return on total assets is calculated based on profit for the year divided by our total assets as of the end of each reporting year and multiplied by 100%.
- (6) Return on equity is calculated based on profit for the year divided by our total equity as of the end of each reporting year and multiplied by 100%.

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### ***Current ratio***

Our current ratio increased from approximately 5.3 times as at 31 December 2018 to approximately 7.5 times as at 31 December 2019 mainly due to the increase of current assets as a result of increase in prepayments, deposits and other receivables of approximately RM2.0 million and increase in cash and cash equivalents of approximately RM7.7 million as at 31 December 2019.

### ***Gearing ratio***

Our gearing ratio decreased from approximately 53.7% as at 31 December 2018 to approximately 34.8% as at 31 December 2019 mainly due to the repayment of the bank loan during 2019.

### ***Debt to equity ratio***

Our Group remained at a net cash position as at 31 December 2019. Our Group's debt to equity ratio was approximately 1.2% as at 31 December 2018 mainly due to the bank loan of RM19.0 million drawn down in August 2018.

### ***Interest coverage ratio***

Our Group's interest coverage ratio decreased from approximately 41.5 times for the year ended 31 December 2018 to approximately 21.8 times for the year ended 31 December 2019 mainly due to the increase of finance cost.

### ***Return on total assets***

Our return on total assets decreased slightly from approximately 19.6% for the year ended 31 December 2018 to approximately 18.6% for the year ended 31 December 2019 mainly due to the increase of total assets as at 31 December 2019 as a result of increase in prepayments, deposit and other receivables and cash and cash equivalents.

### ***Return on equity***

Our return on equity decreased from approximately 33.7% for the year ended 31 December 2018 to approximately 27.2% for the year ended 31 December 2019 mainly due to the increase of total equity due to the net profit retained for the year ended 31 December 2018.

### **Quantitative and Qualitative Disclosure about Market Risk**

Please see "Financial Information – Quantitative and Qualitative risks" for further information.

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## **APPENDIX III      UNAUDITED PRELIMINARY FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2019**

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### **Code on Corporate Governance Practices**

Under code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. F Ling holds both positions. Mr. F Ling has been primarily responsible for corporate strategic planning and overall business development of our Group since he founded our Group in the 2000s. Taking into account the continuation of management and the implementation of our business strategies, our Directors (including our Independent Non-Executive Directors) consider it is most suitable for Mr. F Ling to hold both the positions of the chief executive officer and chairman of the Board and the existing arrangements are beneficial and in the interests of our Company and our Shareholders as a whole.

As we were not yet listed on the Hong Kong Stock Exchange for the year ended 31 December 2019, the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (“Corporate Governance Code”) was not applicable to us during such period under review. After the Listing, we will comply with the code provisions set forth in the Corporate Governance Code, except for the deviation from the code provision A.2.1 of the Corporate Governance Code.

### **Review of Our Preliminary Financial Information**

We established an audit committee, which will come into operation with effect from the Listing, in compliance with the Corporate Governance Code. Each of the proposed members of the audit committee has reviewed the 2019 Preliminary Financial Information as set out in this appendix.

The figures in respect of our consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the 2019 Preliminary Financial Information above has been agreed by the Reporting Accountants to the amounts set out in the Group’s draft consolidated financial statements for the year following their work under Practice Note 730 “Guidance for Auditors Regarding Preliminary Announcements of Annual Results” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The work performed by the Reporting Accountants in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Reporting Accountants on the 2019 Preliminary Financial Information.

### **Purchase, Sales or Redemption of Our Shares**

As we were not yet listed on the Hong Kong Stock Exchange for the year ended 31 December 2019, this disclosure requirement is not applicable to us.

*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.*

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 13 June 2018 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

## **1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

## **2. ARTICLES OF ASSOCIATION**

The Articles were adopted on 11 March 2020 with effect from the Listing Date. A summary of certain provisions of the Articles is set out below.

### **(a) Shares**

#### **(i) Classes of shares**

The share capital of the Company consists of ordinary shares.

***(ii) Variation of rights of existing shares or classes of shares***

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated 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 general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a member being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

***(iii) Alteration of capital***

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

*(iv) Transfer of shares*

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).



The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

***(v) Power of the Company to purchase its own shares***

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

***(vi) Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

***(vii) Calls on shares and forfeiture of shares***

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by 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 annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member 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 shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

**(b) Directors**

**(i) *Appointment, retirement and removal***

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;

- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

***(ii) Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

***(iii) Power to dispose of the assets of the Company or any of its subsidiaries***

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

***(iv) Borrowing powers***

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

**(v) *Remuneration***

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

***(vi) Compensation or payments for loss of office***

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

***(vii) Loans and provision of security for loans to Directors***

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

***(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries***

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;



(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ff) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**(c) Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

**(d) Meetings of member**

***(i) Special and ordinary resolutions***

A special resolution of the 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 by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

***(ii) Voting rights and right to demand a poll***

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

***(iii) Annual general meetings***

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

***(iv) Requisition of general meetings***

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

***(v) Notices of meetings and business to be conducted***

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

***(vi) Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

***(vii) Proxies***

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and 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 if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

**(e) Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange. The members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

**(f) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.



**(g) Inspection of corporate records**

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

**(h) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(i) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

**(j) Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on 13 June 2018 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**(a) Company operations**

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

**(g) Disposal of assets**

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

**(h) Accounting and auditing requirements**

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
  - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 20 years from 27 June 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

**(m) Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

**(n) Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

**(o) Register of Directors and officers**

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

**(p) Winding up**

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.



In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

#### **(q) Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

**(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**(s) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**4. GENERAL**

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection – Documents Available for Inspection" in Appendix VI 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.

**A. FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 13 June 2018. We have established a principal place of business in Hong Kong at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong and have been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance under the same address on 28 November 2018. Ms. Chan Lok Yee (陳樂而) has been appointed as our authorised representative for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As we were incorporated in the Cayman Islands, our corporate structure and operation and our constitutive documents which comprise Memorandum of Association and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum of Association and Articles of Association is set out in the section headed “Summary of the constitution of the Company and Cayman Islands Company Law” in Appendix IV to this prospectus.

**2. Changes in share capital of our Company**

- (a) On the date of incorporation, our authorised share capital was HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each. Please refer to the section headed “History, Reorganisation and Corporate Structure” in this prospectus for details relating to the issue and the transfer of shares in the issued capital of our Company. Save as disclosed in this prospectus, there has been no alteration and no redemption, repurchase or sale of the share capital in our Company since the date of the incorporation of our Company.
- (b) On 11 March 2020, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 shares of a par value of HK\$0.01 each to HK\$15,000,000 divided into 1,500,000,000 shares of a par value of HK\$0.01 each by the creation of an additional 1,462,000,000 shares of par value HK\$0.01 each ranking *pari passu* in all respects with the existing Shares pursuant to the resolutions in writing of our Shareholders passed on 11 March 2020, as set out below.

- (c) Immediately following the completion of the Capitalisation Issue and the Share Offer but taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which have been or may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$8,000,000 divided into 800,000,000 Shares, all fully paid or credited as fully paid, and 700,000,000 Shares will remain unissued.

### **3. Subsidiaries and changes in capital structure of our subsidiaries**

Our subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants' Report, our Company has no other subsidiaries.

Please refer to the section headed "History, Reorganisation and Corporate Structure" in this prospectus for details relating to the changes to the capital structure of our subsidiaries during the Track Record Period. Save as disclosed in this prospectus, there has been no change to the capital structure of our subsidiaries within the two years immediately prior to the issue of this prospectus.

### **4. Reorganisation**

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation and our Company became the holding company of our Group. Please refer to the section headed "History, Reorganisation and Corporate Structure" in this prospectus for details.

Following the completion of the Reorganisation, our Company became the holding company of our principal operating subsidiaries within our Group.

### **5. Resolutions in writing of our Shareholders passed on 11 March 2020**

Pursuant to the written resolutions passed by all of our Shareholders on 11 March 2020, among others:

- (a) the Memorandum and Articles of Association were approved and adopted with effect from the Listing Date;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each to HK\$15,000,000 divided into 1,500,000,000 Shares of a par value of HK\$0.01 each by the creation of an additional 1,462,000,000 shares of par value HK\$0.01 each ranking *pari passu* in all respects with all the existing Shares of a par value of HK\$0.01 in issue;

- (c) conditional on (i) the Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme); and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise:
  - (i) conditional upon the share premium account of our Company being credited as a result of the Share Offer, the Directors were authorised to capitalise HK\$5,999,998 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 599,999,800 Shares for allotment and issue to holders of Shares whose names appeared on the register of members of our Company at the close of business on 11 March 2020 (or as they may direct) in proportion as nearly as may be without involving fractions to their then existing shareholdings in our Company and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares and our Directors or any committee of our Board were authorised to give effect to the Capitalisation Issue;
  - (ii) the Listing and the Share Offer were approved and the Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer;
  - (iii) the rules of the Share Option Scheme were conditionally approved and adopted and the Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant thereto and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
  - (iv) a general unconditional mandate was given to the 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 providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Share Offer or the Capitalisation Issue or upon the exercise of the Over-allotment Option, or issue of Shares upon exercise of

rights of subscription or conversion attaching to any warrants of our Company or any securities which are convertible into Shares, Shares with an aggregate number of not exceeding the sum of (aa) 20% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (but excluding (where applicable) any Share which may be issued upon the exercise of the Over-allotment Option and any Share to be issued upon the exercise of the options which may be granted under the Share Option Scheme) and (bb) the number of Shares which may be purchased by our Company pursuant to the authority granted to the Directors as referred to 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 of Association or the Companies Law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever occurs first;

- (v) a general unconditional mandate was given to the Directors to exercise all powers of our Company to purchase Shares with an aggregate number of not exceeding 10% of the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (but excluding (where applicable) any Share which may be issued upon the exercise of the Over-allotment Option and any Share to be issued upon the exercise of the options which may be granted under the Share Option Scheme) 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 of Association or the Companies Law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and
  - (vi) the extension of the Issuing Mandate 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 contracts (including the duration thereof) made between our Executive Directors and our Company were approved.

**B. REPURCHASE OF OUR SHARES**

This sub-section sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by us of our own securities.

**1. Provisions under the Listing Rules**

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

**(a) Shareholders' approval**

Under the Listing Rules, all proposed repurchase of securities (which must be fully paid-up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

**(b) Source of funds**

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles of Association and the Listing Rules and the applicable laws of the place of incorporation of the relevant listed company. 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. Subject to the foregoing, any repurchases by us may be made out of our funds which would otherwise be available for dividend or distribution or out of the proceeds of a new issue of shares made for the purpose of the repurchase.

**(c) Trading restrictions**

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring our company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to

procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

***(d) Status of repurchased shares***

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

***(e) Suspension of repurchase***

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

***(f) Reporting requirements***

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.



***(g) Core connected persons***

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a “core connected person”, that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his securities to the company.

**2. Reasons for repurchases**

Our Directors believe that it is in the best interest of our Company and our Shareholders as a whole to have general authority from our Shareholders 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 value and the assets of our Company and/or the earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders as a whole.

**3. Funding of repurchases**

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with our Articles of Association, the Listing Rules and the applicable laws and regulations. On the basis of our current financial position 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 our working capital and/or our gearing position 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 our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

**4. General**

Exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue upon completion of the Share Offer (taking into no account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme), could accordingly result in up to 80,000,000 Shares being repurchased by us during the period prior to the earliest of:

- a) the conclusion of our Company’s next annual general meeting unless by ordinary resolution at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

- b) the expiration of the period within which our Company is required by the applicable law or our Articles of Association to hold our next annual general meeting; or
- c) when varied, revoked or renewed by a resolution of our Shareholders in a general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to us 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, our Articles of Association and the applicable laws and regulations from time to time in force.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of us increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No core connected person has notified us that he or she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## **C. FURTHER INFORMATION ABOUT OUR BUSINESS**

### **1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of our Group's business) were entered into by members of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) a form of transfer of securities dated 11 January 2019 executed by Mr. Ling Sheng Hwang and Compugraphic Media (BVI) Limited pursuant to which 1,200,000 shares in Compugraphic Media Sdn. Bhd. were transferred from Mr. Ling Sheng Hwang to Compugraphic Media (BVI) Limited for RM1;
- (b) a form of transfer of securities dated 11 January 2019 executed by Mr. Ling Sheng Chung and Compugraphic Media (BVI) Limited pursuant to which 1,200,000 shares in Compugraphic Media Sdn. Bhd. were transferred from Mr. Ling Sheng Chung to Compugraphic Media (BVI) Limited for RM1;

- (c) a form of transfer of securities dated 11 January 2019 executed by Mr. Ling Sheng Hwang and Coeus Systems (BVI) Limited pursuant to which 1,200,000 shares in Coeus Systems Sdn. Bhd. were transferred from Mr. Ling Sheng Hwang to Coeus Systems (BVI) Limited for RM1;
- (d) a form of transfer of securities dated 11 January 2019 executed by Mr. Ling Sheng Chung and Coeus Systems (BVI) Limited pursuant to which 1,200,000 shares in Coeus Systems Sdn. Bhd. were transferred from Mr. Ling Sheng Chung to Coeus Systems (BVI) Limited for RM1;
- (e) a form of transfer of securities dated 11 January 2019 executed by Mr. Ling Sheng Hwang and C-Link Squared Limited pursuant to which one share in C Link Squared Sdn. Bhd. was transferred from Mr. Ling Sheng Hwang to C-Link Squared Limited for RM1;
- (f) a form of transfer of securities dated 11 January 2019 executed by Mr. Ling Sheng Chung and C-Link Squared Limited pursuant to which one share in C Link Squared Sdn. Bhd. was transferred from Mr. Ling Sheng Chung to C-Link Squared Limited for RM1;
- (g) a deed of settlement dated 12 March 2020 entered into among Mr. Ling Sheng Hwang, Flash Dragon Company Limited and our Company regarding settlement of relevant director loan and relevant dividend receivables;
- (h) a deed of settlement dated 12 March 2020 entered into among Mr. Ling Sheng Chung, Jupiter Rain Company Limited and our Company regarding settlement of relevant director loan and relevant dividend receivables;
- (i) the Deed of Non-competition dated 11 March 2020 entered into among our Controlling Shareholders and our Company regarding non-competition undertakings given by our Controlling Shareholders in favour of our Company (for itself and for the benefits of each other member of our Group);
- (j) the Deed of Indemnity dated 11 March 2020 entered into among our Controlling Shareholders and our Company pursuant to which our Controlling Shareholders agreed to give certain indemnities in favor of our Company (for itself and as trustee for each of the other members of the Group), the details of which are set out in the subsection headed “G. Other Information – 10. Taxation of holders of our Shares” of this section; and
- (k) the Public Offer Underwriting Agreement.

## 2. Our material intellectual property rights

### *Trademark*

As at the Latest Practicable Date, we had applied for the registration of the following trademark:

No.	Trademark	Applicant	Place of Application	Application Number	Class(es)	Date of Application
1.	<b>Streamline Suite</b>	Coeus Systems	Malaysia	TM2019005061	9	15 February 2019

### *Domain name*

As at the Latest Practicable Date, we were the registered owner of the following domain names, which we believe are material to our business:

Domain Name	Name of Registrant	Date of registration	Date of expiry
compugraphic.com.my	Compugraphic Media	14 March 2003	14 March 2021
coeus.com.my	Coeus systems	14 March 2003	14 March 2021
cgroup.com.my	Compugraphic Media	30 June 2010	30 June 2020
clinksquared.com	Coeus systems	9 February 2018	8 February 2022

## D. FURTHER INFORMATION ABOUT OUR DIRECTORS, CHIEF EXECUTIVE OFFICER AND SUBSTANTIAL SHAREHOLDERS

### 1. Disclosure of interests

#### (a) *Interests of our Directors and the chief executive officer in our share capital and our associated corporations following the Share Offer*

The table below sets out the interests of our Directors and chief executive officer immediately following the completion of the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme) in the Shares, underlying Shares or debentures of us or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in 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 entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed:

Name of Director(s)/ chief executive officer	Capacity/nature of interest	Relevant company (including associated corporation)	Number and class of Shares <sup>1</sup>	Approximate percentage of shareholding in the total issued share capital of our Company
Mr. F Ling <sup>2</sup>	Interest in controlled corporation	Flash Dragon	300,000,000 Shares	37.50%
Mr. W Ling <sup>3</sup>	Interest in controlled corporation	Jupiter Rain	300,000,000 Shares	37.50%

*Notes:*

- (1) All the above Shares are held in long position.
- (2) Flash Dragon, wholly-owned by Mr. F Ling, held 300,000,000 Shares. Mr. F Ling is deemed to be interested in the 300,000,000 Shares pursuant to the SFO. Mr. F Ling is an Executive Director, chairman of the Board and chief executive officer of the Company.
- (3) Jupiter Rain, wholly-owned by Mr. W Ling, held 300,000,000 Shares. Mr. W Ling is deemed to be interested in the 300,000,000 Shares pursuant to the SFO. Mr. W Ling is an Executive Director, chairman of the Board and chief executive officer of the Company.

**(b) *Interests of the substantial shareholders in the Shares which are discloseable under Division 2 and 3 of Part XV of the SFO***

Immediately following the completion of the Share Offer (without taking into account any Share which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), so far as our Directors are aware, the following persons (not being a Director or a chief executive officer of ours) will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange 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 any other member of our Group:

<b>Name</b>	<b>Capacity/nature of interest</b>	<b>Number and class of Shares<sup>1</sup></b>	<b>Approximate percentage of shareholding in the total issued share capital of our Company</b>
Flash Dragon <sup>2</sup>	Beneficial interest	300,000,000 Shares	37.5%
Ms. Chua Siew Chen <sup>3</sup>	Spouse/Interest in controlled corporation	300,000,000 Shares	37.5%
Jupiter Rain <sup>4</sup>	Beneficial interest	300,000,000 Shares	37.5%
Ms. Seo Chee Teng <sup>5</sup>	Spouse/Interest in controlled corporation	300,000,000 Shares	37.5%

*Notes:*

- (1) All the above Shares are held in long position.
- (2) Flash Dragon, wholly-owned by Mr. F Ling, held 300,000,000 Shares. Mr. F Ling is deemed to be interested in 300,000,000 Shares pursuant to the SFO.

- (3) Ms. Chua Siew Chen, the spouse of Mr. F Ling, is deemed to be interested in the 300,000,000 Shares held by Mr. F Ling, through his controlled corporation, Flash Dragon, pursuant to the SFO.
- (4) Jupiter Rain, wholly-owned by Mr. W Ling, held 300,000,000 Shares. Mr. W Ling is deemed to be interested in the 300,000,000 Shares pursuant to the SFO.
- (5) Ms. Seo Chee Teng, the spouse of Mr. W Ling, is deemed to be interested in the 300,000,000 Shares held by Mr. W Ling, through his controlled corporation, Jupiter Rain, pursuant to the SFO.

## **2. Particulars of Directors' service agreements and letters of appointment**

Each of our Executive Directors have signed a service agreement with us for a term of three years commencing on the Listing Date (subject to termination in certain circumstances as stipulated in the service agreement). The basic annual remuneration (subject to annual review and excluding discretionary bonus) for Mr. F Ling and Mr. W Ling, our Executive Directors, is approximately HK\$200,000 and HK\$200,000, respectively.

Our non-executive Director, Mr. S Ling, has signed a letter of appointment with us for a term of three years commencing on the Listing Date (subject to termination in certain circumstances as stipulated in the letter of appointment). The basic annual remuneration is approximately HK\$200,000.

Each of our Independent Non-Executive Directors has signed a letter of appointment with us for a term of three years commencing on the Listing Date (subject to termination in certain circumstances as stipulated in the relevant letters of appointment). Each of our Independent Non-Executive Directors is entitled to a directors' fee of HK\$200,000 per annum.

## **3. Agency fees or commission**

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any share or loan capital of us or any of our subsidiaries.

## **4. Related party transactions**

For details of our related party transactions, see note 30 to the Accountants' Report set out in Appendix I to this prospectus.

**E. DISCLAIMERS**

Save as disclosed herein:

- (a) none of our Directors or our chief executive officer has any interest or short position in the shares, underlying shares or debentures of us or any of our associated corporation (within the meaning of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO of 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 us and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed;
- (b) none of our Directors or experts referred to in the subsection headed “G. Other Information – 7. Qualifications of experts” in this section has any direct or indirect interest in the promotion of us, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any members of our Group;
- (c) none of our Directors or experts referred to in the subsection headed “G. Other Information – 7. Qualifications of experts” in this section is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking into account Shares which may be taken up under the Share Offer, none of our Directors knows of any person (not being a Director or chief executive officer of us) who will, immediately following the completion of the Share Offer, have an interest or short position in the shares or underlying shares of us which would fall to be disclosed to us under the provisions of Division 2 and 3 of Part XV of the SFO or to be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of our Group;
- (f) none of the experts referred to in “G. Other Information – 7. Qualifications of experts” in this section has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;



- (g) so far as is known to the Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of our share capital have any interests in the five largest customers or the five largest suppliers of our Group.

## F. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted in a Shareholders' meeting convened on 11 March 2020. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

### 1. Purpose

The purpose of the Share Option Scheme is to enable our Company to grant options to Eligible Participants (as defined in paragraph 2 below) as incentives or rewards for their contribution or potential contribution to our Group.

### 2. Eligible participants

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph 5 below to any full-time or part-time employees, or potential employees, executives or officers (including executive, non-executive and independent non-executive Directors) of our Company or any of its subsidiaries and any suppliers, customers, agents and advisers who, in the sole opinion of the Board, will contribute or have contributed to our Company and/or any of its subsidiaries (the “**Eligible Participants**”).

### 3. Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such remittance shall in no circumstances be refundable and shall be deemed as part payment of the exercise price. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it must be accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option in the manner as set out in this paragraph. To the extent that the offer to grant an option is not accepted by the acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs 9, 11, 13, 14 and 15 below, an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph 17, our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

#### 4. Maximum number of Shares

The maximum number of Shares in respect of which options under the Share Option Scheme and any other share option schemes of our Company may be granted is 10% of the Shares in issue immediately upon completion of the Share Offer, being 80,000,000 Shares (the “**Scheme Limit**”), excluding for this purpose the number of Shares which would be issued on the exercise in full of the options which may be granted under the Share Option Scheme or any other schemes of our Company but not cancelled, lapsed or exercised; and the number of cancelled Shares. Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (a) renew this limit at any time to 10% of the Shares in issue (the “**New Scheme Limit**”) as at the date of the approval by our Shareholders in a general meeting; and/or
- (b) grant options beyond the Scheme Limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time (the “**Maximum Limit**”). No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded. The Scheme Limit or the New Scheme Limit shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph 17 below whether by way of capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

## 5. Price of Shares

The exercise price in relation to each option offered to an Eligible Participant shall, subject to the adjustments referred to in paragraph 17, be determined by the Board (or its committee) in its sole discretion, save that such price shall not be less than the highest of:

- (a) the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant, which must be a day on which the Stock Exchange is open for business of dealing in securities;
- (b) the average of the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five business days (as defined in the Listing Rules) immediately preceding the date of grant; and
- (c) the nominal value of a Share,

provided that for the purpose of determining the exercise price where the Shares have been listed on the Stock Exchange for less than five business days (as defined in the Listing Rules) preceding the date of the grant, the issue price of the Shares in connection with such listing shall be deemed to be the closing price of the Shares for each business day (as defined in the Listing Rules) falling within the period before Listing.

**6. Granting options to connected persons**

Any grant of options to a director, chief executive or substantial shareholder of our Company or any of their respective associates is required to be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board determines to offer to grant options to a substantial shareholder or an independent non-executive Director or any of their respective associates which will result in the number of 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 under the Share Option Scheme and any other schemes of our Company in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the Shares in issue or such other percentage as may be from time to time provided under the Listing Rules, of the Shares in issue on the date of such grant; and
- (b) having an aggregate value, based on the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of each grant, in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules,

such grant will be subject to the approval of the independent non-executive Directors as referred to in this paragraph, the issue of a circular by our Company to our Shareholders and the approval of our Shareholders in general meeting on a poll at which all core connected persons of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (a) the details of the number and terms (including the exercise price) of the options to be granted to each Eligible Participant which must be fixed before the shareholders' meeting and the date of the grant, which shall be the date of Board meeting at which the Board proposes to grant the proposed options to such Eligible Participant;
- (b) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (c) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (d) the information required under Rule 2.17 of the Listing Rules.

**7. Restrictions on the times of grant of options**

A grant of options may not be made after inside information has come to our Company's knowledge until our Company has announced the information. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (a) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (b) the deadline for our Company to publish an announcement of the results for any year, or half-year period in accordance with the Listing Rules, and where our Company has elected to publish them, any quarterly or any other interim period,

and ending on the actual date of publication of the results for such year, half-year, quarterly or interim period (as the case may be).

No options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

**8. Rights are personal to grantee**

An option and an offer to grant an option is personal to the grantee and is not transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option held by him or any offer relating to the grant of an option made to him or attempt to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

**9. Time of exercise of option and duration of the Share Option Scheme**

Each of the grantees to whom an option has been granted under the Share Option Scheme shall be entitled to exercise his/her option in the manner set out in his/her offer document, provided that such period of time shall not exceed a period of ten years commencing on the date on which the option is granted. The exercise of any Option shall be subject to the shareholders of the Company in general meeting approving any necessary increase in the authorised share capital of the Company.

**10. Performance target**

A grantee may be required to achieve performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

**11. Rights on ceasing employment/death**

If the grantee of an option ceases to be an Eligible Participant:

- (a) by any reason other than death, ill-health, injury, disability or termination of his relationship with our Company and/or any of its subsidiaries on one of more of the grounds specified in paragraph 12 below, the grantee may exercise the option up to his entitlement at the date of cessation of being an Eligible Participant (to the extent not already exercised) within a period of one month (or such longer period as the Board may determine) following the date of such cessation (which date shall be, in relation to a grantee who is an Eligible Participant by reason of his employment with our Company or any of its subsidiaries, the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not); or
- (b) by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of our Board) and none of the events which would be a ground for termination of his relationship with our Company and/or any of its subsidiaries under paragraph 12 has occurred, the grantee or his personal representative(s) shall be entitled within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death to exercise the options in full (to the extent not already exercised).

**12. Rights on dismissal**

If the grantee of an option ceases to be an Eligible Participant by reason of his resignation or dismissal, or by reason of the termination of his relationship with our Company and/or any of the subsidiaries on any one or more of the grounds that he has been guilty of serious misconduct, or has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee or consultant of our Company and/or any of its subsidiaries (if so determined by our Board) on any other ground on which an employer would be entitled to unilaterally terminate his employment or service at common law or pursuant to any applicable laws or under the grantee's service contract with our Company or the relevant subsidiary, the grantee's options will lapse on the date on which he ceases to be an Eligible Participant. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the relationship of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive.

**13. Rights on takeover**

If a general offer (whether by way of takeover offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror (as defined in the Takeovers Code) and/or any person acting in association or in concert with the offeror), our Company shall use its best endeavours to procure that such offer is extended to all the grantees (on the same terms *mutatis mutandis*, and assuming that they shall become, by the exercise in full of the options granted to them. Shareholders). If such offer, having been approved in accordance with the applicable laws and regulatory requirements, becomes, or is declared unconditional, the grantee (or his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which such general offer becomes or is declared unconditional.

**14. Rights on winding-up**

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company, give notice thereof to all grantees and thereupon, each grantee (or in the case of the death of the grantee, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two business days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of

which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

**15. Rights on compromise or arrangement between our Company and its members or creditors**

If a compromise or arrangement between our Company and its members and/or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice to all the grantees of the options on the same day as it despatches to its members and/or creditors of our Company a notice summoning the meeting to consider such a compromise or arrangement and each grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12 noon (Hong Kong time) on the business day (as defined in the Listing Rules) immediately prior to the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. Our Board shall endeavour to procure that the Shares issued as a result of the exercise of options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court) the rights of the grantees to exercise their respective options shall with effect from the date of the making of the order by the relevant court be restored in full, as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension.



## 16. Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person nominated by the grantee) as the holder thereof. Subject to the aforesaid, the Shares to be allotted upon the exercise of an option shall be subject to all the provisions of the Articles and shall rank *pari passu* in all respects with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation of our Company as attached to the fully-paid Shares in issue on the date of issue and rights in respect of any dividend or other distributions paid or made on or after the date of issue. Shares issued on the exercise of an option shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

## 17. Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer (if there is a price-dilutive element), subdivision, consolidation of shares or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the exercise price per Share and/or the Scheme Limit, the New Scheme Limit and the Maximum Limit as the auditors of our Company or an independent financial adviser shall certify in writing to be in their opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes (the “**Supplemental Guidance**”). The capacity of the auditors of our Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations shall be made on the basis that a grantee shall have the same proportion of the equity capital of our Company (as interpreted in accordance with the Supplemental Guidance) as that to which he was entitled to subscribe had he exercised all the options held by him immediately before such adjustments and the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event and that no such alterations shall be made if the effect of such alterations would be to enable a Share to be issued at less than its nominal value. Any adjustment to be made in accordance with this paragraph shall comply with the Listing Rules, the Supplemental Guidance and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time. In respect of any adjustments required by this paragraph 17, other than any made on a capitalisation issue, the auditors of the Company or the approved independent financial adviser, as the case may be, shall confirm to the Board in writing that the adjustments

satisfy the requirements set out in Rule 17.03(13) of the Listing Rules and the note thereto and the Supplemental Guidance and/or such other requirement prescribed under the Listing Rules from time to time. In no circumstances shall the exercise price be less than the par value of the Shares.

### **18. Expiry of option**

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the date of expiry of the option as may be determined by the Board;
- (b) the expiry of any of the periods referred to in paragraphs 11, 13, 14 and 15;
- (c) the date on which the scheme of arrangement of our Company referred to in paragraph 15 becomes effective;
- (d) the date of commencement of the winding-up of our Company;
- (e) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation or dismissal, or by termination of his relationship with our Company and/or any of its subsidiaries on any one or more of the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee or consultant of our Company and/or any of its subsidiaries (if so determined by the Board) on any other grounds on which an employer would be entitled to unilaterally terminate his employment or service at common law or pursuant to any applicable laws or under the grantee's service contract with our Company or the relevant subsidiary. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the relationship of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (f) the date that is 30 days after the date on which the grantee is terminated by our Company and/or any of the subsidiaries on a ground other than those set forth in paragraph 18(e); and
- (g) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph 8 above or the options are cancelled in accordance with paragraph 20 below.

**19. Alteration of the Share Option Scheme**

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (a) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (b) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Share Option Scheme),

must be made with the prior approval of our Shareholders in general meeting at which any persons to whom or for whose benefit the Shares may be issued under the Share Option Scheme and their respective associates shall abstain from voting, provided that the amended terms of the Share Option Scheme or the options shall remain in compliance with Chapter 17 of the Listing Rules and no alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such option prior to such alteration, except with (i) the consent in writing of grantees holding in aggregate options which if exercised in full on the date immediately preceding that on which such consent is obtained would entitle them to the issue of three-fourths in nominal value of all Shares which would fall to be issued upon the exercise of all options outstanding on that date, or (ii) the sanction of a special resolution. Written notice of any alterations made in accordance with paragraph 19 shall be given to all grantees.

**20. Cancellation of options**

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph 8.

**21. Termination of the Share Option Scheme**

Our Company may by resolution in general meeting or the Board at any time resolve to terminate the operation of the Share Option Scheme and in such event, no further options shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

**22. Administration of the Board**

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided therein) shall be final and binding on all parties.

**23. Conditions of the Share Option Scheme**

The Share Option Scheme is conditional on:

- (a) the passing of the necessary resolutions by our Shareholders to approve and adopt the rules of the Share Option Scheme;
- (b) the Listing Committee granting the listing of, and permission to deal in, the Shares falling to be issued pursuant to the exercise of options under the Share Option Scheme;
- (c) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, following the waiver(s) of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and
- (d) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions in this paragraph 23 are not satisfied within six calendar months from the date on which the Share Option Scheme was conditionally adopted by the written resolution of the Shareholders dated 11 March 2020:

- (a) the Share Option Scheme shall forthwith terminate;
- (b) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (c) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

**24. Disclosure in annual and interim reports**

Our Board shall procure that details of the Share Option Scheme and other schemes of our Company and its subsidiaries are disclosed in its annual and interim reports in compliance with the Listing Rules in force from time to time.

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, being 80,000,000 Shares in total.

## **G. OTHER INFORMATION**

### **1. Litigation**

As at the Latest Practicable Date, we were not 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 us, that would have a material adverse effect on our results of operations or financial condition.

### **2. Preliminary expenses and the Sole Sponsor's fees**

Our preliminary expenses were approximately US\$4,300 and were paid by us.

The Sole Sponsor will be paid by our Company an aggregate fee of HK\$4.5 million to act as the sole sponsor to the Listing.

### **3. Promoter**

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the Share Offer and the related transactions described in this prospectus.

### **4. Application for Listing**

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares: (i) in issue; (ii) to be issued pursuant to the Share Offer; and (iii) to be issued upon exercise of any options which may be granted under the Share Option Scheme, being up to 10% of the Shares in issue on the Listing Date. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

### **5. No material adverse change**

Our Directors confirm that save as disclosed in this prospectus, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since 30 September 2019 and up to the date of this prospectus.

**6. Agency fees and commissions received**

The Underwriters will receive an underwriting commission as referred to in the section headed “Underwriting – Underwriting Arrangements and Expenses – Commissions, fees and expenses” in this prospectus.

**7. Qualifications of experts**

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinion and/or advice in this prospectus are as follows:

<b>Name</b>	<b>Qualifications</b>
Grand Moore Capital Limited	Licensed under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified public accountants, Hong Kong
Appleby	Legal advisers to our Company as to the laws of the Cayman Islands
China Insights Industry Consultancy Limited	Industry consultant
David Lai & Tan	Legal advisers to our Company as to the laws of Malaysia

**8. Consents**

Each of the experts listed in the preceding paragraph has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

**9. 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 of 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.

**10. Taxation of holders of our Shares*****Dividends***

No tax is imposed in Hong Kong in respect of dividends our Company pays to the Shareholders. Dividends paid to the Shareholders are free of withholding taxes in Hong Kong.

***Stamp duty***

The sale, purchase and transfer of Shares registered on our register of members in Hong Kong will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1 % of the consideration, or if higher, the value of the Shares being sold or transferred. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK\$5.00. Where a sale or purchase of shares registered on the Hong Kong branch share register is effected by a person who is not resident in Hong Kong and any stamp duty payable on the contract note is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the duty otherwise chargeable thereon, and the transferee shall be liable to pay such duty.

***Capital gains and profits tax***

No tax is imposed in Hong Kong in respect of capital gains from the sale of the Shares. Trading gains from the sale of the Shares by persons carrying on a business in Hong Kong, where such gains are sourced in Hong Kong and arise from such business, will be chargeable to Hong Kong profits tax.

***Estate duty***

No Hong Kong estate duty is payable in respect of holders of Shares on their death.

Prospective holders of Shares are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding, disposing of or dealing in Shares. It is emphasised that none of us, the Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding, disposal of or dealing in Shares or exercise any rights attaching to them. Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands and BVI.

Our Controlling Shareholders (as indemnifiers) have entered into the Deed of Indemnity in favour of our Company (for itself and as trustee for each of the other members of the Group) on 11 March 2020, pursuant to which they have, amongst others, agreed and undertaken, jointly and severally, with our Company to indemnify our Company (for itself and as trustee for each of the other members of the Group) and at all times keep the same fully indemnified on demand from and against any tax liability falling on any member of our Group resulting from, or by reference to any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which the Shares are listed on the Stock Exchange.

#### **11. Miscellaneous**

Save as otherwise disclosed in this prospectus:

- (i) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or of any of our principal operating 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;
- (ii) within the two years immediately preceding the date of this prospectus, 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 principal subsidiaries;
- (iii) within the two years preceding the date of this prospectus, no commission has been paid or is payable (except commissions to underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares in our Company;
- (iv) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
- (v) no share or loan capital of our Company or any of our consolidated subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (vi) none of the parties (save in connection with the Underwriting Agreement) listed in the subsection headed “G. Other Information – 7. Qualification of experts” in this section:
  - (a) is interested legally or beneficially in any securities of any member of our Group; or



- (b) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (vii) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (viii) there is no arrangement under which future dividends are waived or agreed to be waived;
- (ix) our Directors confirm that our Company has no outstanding convertible debt securities or debentures; and
- (x) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.

## **12. Estate duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

## **13. 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 Ordinance (Exemption of Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

## **14. Independence of the Sole Sponsor**

The Sole Sponsor has made an application on behalf of our Company to the Listing Division for the Listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any shares that may be issued pursuant to any option that may be granted under the Share Option Scheme).

Grand Moore Capital Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

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## **APPENDIX VI            DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION**

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### **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: (i) copies of the **WHITE** and **YELLOW** Application Forms; (ii) copies of each of the material contracts referred to in the section headed “Statutory and General Information – C. Further information about our business – 1. Summary of material contracts” in Appendix V of this prospectus; and (iii) the consent letters referred to in the section headed “Statutory and General Information – G. Other Information – 8. Consents” in Appendix V of this prospectus.

### **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of H.M Chan & Co in association with Taylor Wessing at 21st Floor, 8 Queen’s Road Central, 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 of Association;
- (b) the accountants’ report from Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the report from Ernst & Young on our unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements as have been prepared for the companies comprising our Group for the three financial years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2019;
- (e) the CIC Report, the summary of which is set forth in the section headed “Industry Overview” in this prospectus;
- (f) the Companies Law;
- (g) the material contracts referred to in “Statutory and General Information – C. Further Information about Our Business – 1. Summary of material contracts” in Appendix V to this prospectus;
- (h) the service agreements and letters of appointment referred to in “Statutory and General Information – D. Further Information about Our Directors, Chief Executive Officer and Substantial Shareholders – 2. Particulars of Directors’ service agreements and letters of appointment” in Appendix V to this prospectus;

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**APPENDIX VI            DOCUMENTS DELIVERED TO THE REGISTRAR OF  
COMPANIES AND AVAILABLE FOR INSPECTION**

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- (i) the written consent referred to in “Statutory and General Information – G. Other Information – 8. Consents” in Appendix V to this prospectus;
- (j) the rules of the Share Option Scheme;
- (k) the letter of advice prepared by Appleby, our legal advisers as to Cayman Islands law, summarizing certain aspects of the Cayman Islands company law referred to in Appendix IV to this prospectus;
- (l) the legal opinion issued by David Lai & Tan, our legal advisers as to Malaysia law, in respect of general matters of our Group and the property interests of our Group in Malaysia; and
- (m) this prospectus.

