



雲工場科技控股有限公司

**Cloud Factory Technology Holdings Limited**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2512

# GLOBAL OFFERING

Sole Sponsor



Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



# IMPORTANT

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



## 雲工場科技控股有限公司 Cloud Factory Technology Holdings Limited (incorporated in the Cayman Islands with limited liability)

### GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	115,000,000 Shares (comprising 85,000,000 New Shares and 30,000,000 Sale Shares, and subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	11,500,000 Shares (subject to reallocation)
Number of International Offer Shares	:	103,500,000 Shares (comprising 73,500,000 New Shares and 30,000,000 Sale Shares, and subject to reallocation and the Over-allotment Option)
Offer Price	:	HK\$4.6 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	US\$0.00001 per Share
Stock code	:	2512

### Sole Sponsor



### Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



### Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



### 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 its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

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

The Offer Price will be HK\$4.6. Applicants for Offer Shares are required to pay, on application, the Offer Price of HK\$4.6 for each Hong Kong Offer Share together with a brokerage fee of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565%, and AFRC transaction levy of 0.00015%.

The Overall Coordinators and the Joint Global Coordinators, for themselves and on behalf of the Underwriters and the Capital Market Intermediaries, may, with the consent of the Selling Shareholder and the Company, reduce the number of Offer Shares in the Global Offering and/or the Offer Price below that is stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of such reduction will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.cloudesp.com](http://www.cloudesp.com) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, then even if the number of Offer Shares in the Global Offering and/or the Offer Price is so reduced, such applications cannot be subsequently withdrawn. For further details, please refer to the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus.

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

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters and the Capital Market Intermediaries) if certain grounds arise prior to 8:00 a.m. on the Listing Date. For further details, please refer to the paragraph headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

#### ATTENTION

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

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

## IMPORTANT

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

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

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

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

- (1) apply online through the **White Form eIPO** service at [www.eipo.com.hk](http://www.eipo.com.hk); or
- (2) apply electronically through the **HKSCC EIPO channel** and cause HKSCC Nominees to apply on your behalf by instructing your broker or custodian who is a HKSCC Participant to give electronic application instructions via HKSCC’s FINI system to apply for the Hong Kong Offer Shares on your behalf.

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

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

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

## IMPORTANT

Your application through the **White Form eIPO** service or the **HKSCC EIPO** channel must be made for a minimum of 1,000 Hong Kong Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number of Hong Kong Offer Shares you select.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Maximum Amount payable <sup>(2)</sup> on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable <sup>(2)</sup> on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable <sup>(2)</sup> on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable <sup>(2)</sup> on application/ successful allotment
<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>	
1,000	4,646.39	15,000	69,695.86	80,000	371,711.28	900,000	4,181,751.90
2,000	9,292.78	20,000	92,927.82	90,000	418,175.19	1,000,000	4,646,391.00
3,000	13,939.17	25,000	116,159.78	100,000	464,639.10	1,200,000	5,575,669.20
4,000	18,585.57	30,000	139,391.74	200,000	929,278.20	1,800,000	8,363,503.80
5,000	23,231.95	35,000	162,623.69	300,000	1,393,917.30	2,400,000	11,151,338.40
6,000	27,878.35	40,000	185,855.65	400,000	1,858,556.40	3,000,000	13,939,173.00
7,000	32,524.74	45,000	209,087.60	500,000	2,323,195.50	3,600,000	16,727,007.60
8,000	37,171.13	50,000	232,319.56	600,000	2,787,834.60	4,200,000	19,514,842.20
9,000	41,817.52	60,000	278,783.45	700,000	3,252,473.70	5,750,000 <sup>(1)</sup>	26,716,748.26
10,000	46,463.91	70,000	325,247.36	800,000	3,717,112.80		

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

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

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



## EXPECTED TIMETABLE

*We will issue an announcement in Hong Kong on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.cloudcsp.com](http://www.cloudcsp.com) if there is any change in the following expected timetable of the Hong Kong Public Offering.*

Hong Kong Public Offering commences ..... 9:00 a.m. on  
Wednesday, 5 June 2024

Latest time to complete electronic applications under  
**White Form eIPO** service through the designated  
website [www.eipo.com.hk](http://www.eipo.com.hk)<sup>(Note 2)</sup> ..... 11:30 a.m. on  
Tuesday, 11 June 2024

Application lists open<sup>(Note 3)</sup> ..... 11:45 a.m. on  
Tuesday, 11 June 2024

Latest time for giving **electronic application instructions**  
to HKSCC<sup>(Note 4)</sup> ..... 12:00 noon on  
Tuesday, 11 June 2024

Latest time for completing payment of **White Form eIPO**  
applications by effecting internet banking transfer(s) or  
PPS payment transfer(s) ..... 12:00 noon on  
Tuesday, 11 June 2024

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

Application lists close<sup>(Note 3)</sup> ..... 12:00 noon on  
Tuesday, 11 June 2024

Announcement of the level of  
applications in the Hong Kong Public Offering,  
the level of indication of interest in the International  
Offering, the basis of allotment of the Hong Kong  
Offer Shares and the results of applications in  
the Hong Kong Public Offering to be published  
on the websites of the Stock Exchange  
at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.cloudcsp.com](http://www.cloudcsp.com)<sup>(Note 5)</sup>  
at or before ..... 11:00 p.m. on  
Thursday, 13 June 2024

## EXPECTED TIMETABLE

Announcement of results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our website at [www.cloudcsp.com](http://www.cloudcsp.com)<sup>(Note 5)</sup> and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) (See "How to apply for the Hong Kong Offer Shares — B. Publication of Results") at or before..... 11:00 p.m. on Thursday, 13 June 2024

Results of allocations in the Hong Kong Public Offering will be available at [www.iporesults.com.hk](http://www.iporesults.com.hk) (alternatively: [www.eipo.com.hk/eIPOAllotment](http://www.eipo.com.hk/eIPOAllotment)) with a "search by ID" function from..... 11:00 p.m. on Thursday, 13 June 2024 to 12:00 midnight on Wednesday, 19 June 2024

Allocation results telephone enquiry by calling +852 2862 8555 between ..... 9:00 a.m. and 6:00 p.m. from Friday, 14 June 2024 to Wednesday, 19 June 2024 (excluding Saturday, Sunday and public holiday in Hong Kong)

Share certificates in respect of wholly or partially successful applications under the Hong Kong Public Offering to be despatched or deposited into CCASS on or before<sup>(Note 6)</sup> ..... Thursday, 13 June 2024

**White Form e-Refund** payment instructions/refund checks in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering to be despatched/collected on or before<sup>(Note 7)</sup> ..... Friday, 14 June 2024

Dealings in the Shares on the Stock Exchange expected to commence at ..... 9:00 a.m. on Friday, 14 June 2024

## EXPECTED TIMETABLE

*Notes:*

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.
2. You will not be permitted to submit your application through the **White Form eIPO** service through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to or at 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If Extreme Conditions, a tropical cyclone warning signal no.8 or above and/or a “black” rainstorm warning is/are in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 11 June 2024, the application lists will not open or close on that day. For details, please refer to the paragraph headed “How to Apply for the Hong Kong Offer Shares — E. Severe Weather Arrangements” in this prospectus.
4. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via FINI should refer to the paragraph headed “How to apply for the Hong Kong Offer Shares — A. Application for Hong Kong Offer Shares — 2. Application Channels” in this prospectus for further details.
5. None of the websites or any of the information contained on the websites forms part of this prospectus.
6. Share certificates for the Offer Shares are expected to be issued on or before Thursday, 13 June 2024 but will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that (a) the Global Offering has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.
7. **White Form e-Refund** payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering. Part of the applicant’s identification document number provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s identification document number before encashment of the refund cheque. Inaccurate completion of an applicant’s identification document number may invalidate or delay encashment of the refund cheque.

The above expected timetable is a summary only. You should read carefully the sections headed “Underwriting”, “Structure of the Global Offering” and “How to Apply for the Hong Kong Offer Shares” of this Prospectus for details relating to the structure of the Global Offering, procedures on the applications for the Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the despatch of refund cheques and Share certificates.

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## IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. 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.*

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

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## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by and should be read in conjunction with, the full prospectus. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### BUSINESS OVERVIEW

We ranked the 11<sup>th</sup> in the Internet data centre industry among carrier-neutral service providers in terms of revenue in 2022 with a market share of 0.6%. Carrier-neutral service providers operate data center which is independent of network providers to offer access to multiple network service carriers which allow their clients to enjoy the flexibility and redundancy of having access to more than one carrier. We provide Internet data centre solution services, including colocation services and infrastructure management services (the “**IDC Solution Services**”) to our clients by adopting a non-self-built data centre model. In particular, we do not own, build or develop our own Internet data centres. Instead, in the provision of our IDC Solution Services, we managed data centre space and cabinets procured by us from our suppliers, including the three state-owned telecommunication carriers and other parties.

Our IDC Solution Services were launched in Shandong Province in cooperation with one of the state-owned telecommunication carriers, Supplier A. The Group has an established customer base and good reputation in the provision of IDC Solution Services in Shandong Province and Inner Mongolia. It is estimated that the Group accounts for 10% to 12% of service fees paid by the ecosystem partners to Supplier A in Shandong Province and Inner Mongolia.

During the Track Record Period, our total revenue in the IDC Solution Services segment surged from RMB437.2 million in 2021 to RMB673.8 million in 2023 at a CAGR of 24.1%. We attribute our success partly to our capability of providing cross-regional IDC Solution Services in 19 provinces and 38 cities which are relatively more economically developed. During the Track Record Period, our Group’s bandwidth usage amounted to an aggregate of approximately 316,508 Gbps from our managed data centres.

In 2022, we launched a form of infrastructure and computing service distinguishable from our IDC Solution Services under the brand of *Lingjing Cloud* (靈境雲), including convergence of content delivery network with other functionality which has been traditionally delivered by hardware-centric appliances, enabling our clients and their customers to build, secure and deliver digital experiences, at the edge of the Internet, based upon our self-built edge computing infrastructure (the “**Edge Computing Services**”). Our revenue in Edge Computing Services increased by 248.1% from RMB5.2 million for the year ended 31 December 2022 to RMB18.1 million for the year ended 31 December 2023. For the year ended 31 December 2023, we entered into 16 contracts with our clients in relation to the Edge Computing Services. As at the Latest Practicable Date, our Group preliminarily established the coverage of cross-regional edge computing network for the operation of our *Lingjing Cloud* in Northern China.

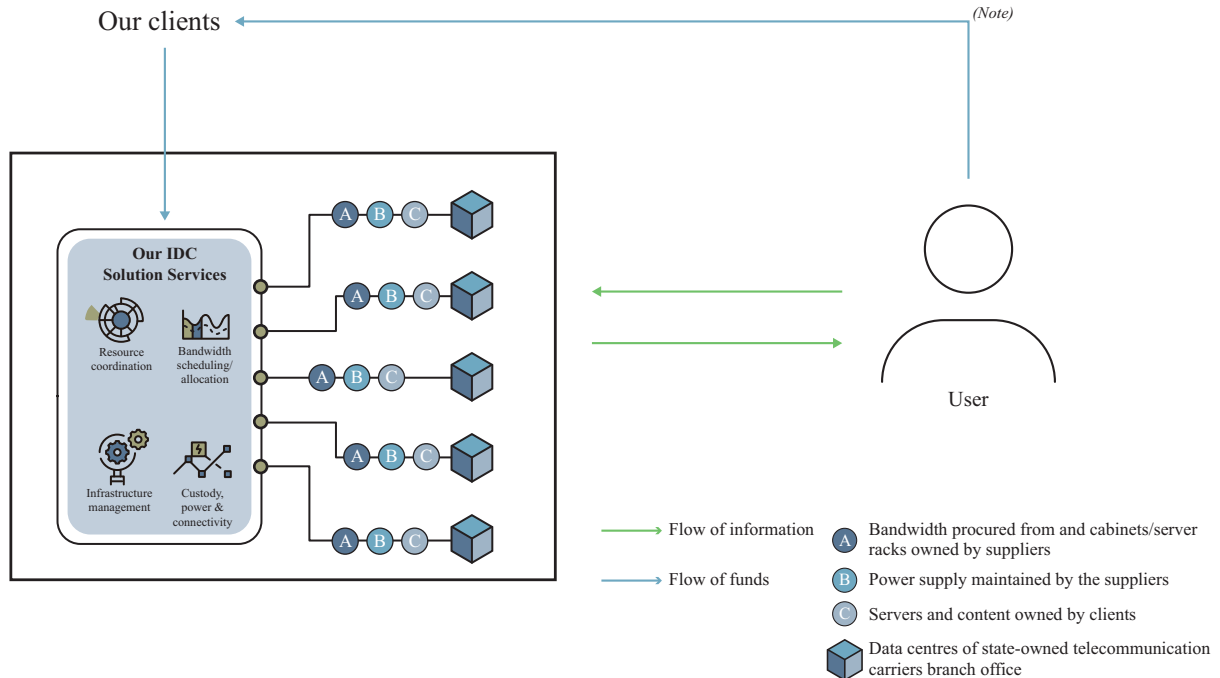
### OUR BUSINESS MODELS

Our IDC Solution Services and Edge Computing Services are important parts of the cloud supply chain. Our operation commences upon clients’ enquires and request for our IDC Solution Services/Edge Computing Services. We then conduct pre-contractual feasibility analysis through internal discussion and liaison with our suppliers before providing IDC solution advice and delivering our IDC Solution Services and Edge Computing Services to our clients. We source data centre resources, mainly bandwidth from state-owned telecommunication carriers or other small-and-medium data centre owners and operators. Our suppliers generally charge us by the Packet Port Charging Model (as defined in the paragraph headed “Business — Our IDC Solution Services and Edge Computing Services Operation Processes — Billing and Payment Stage” in this prospectus) based on the number of packet ports used and the fixed price per packet port. This lump-sum and all-or-nothing basis of charging requires our Group to allocate and schedule the traffic flow in order to avoid idling capacity. The allocated, scheduled and managed bandwidth is then served to our clients. In this regard, we can provide flexible, tailor-made, geographically extensive, localised, enhanced and competitive services to our clients without owning data centre establishments.

# SUMMARY

## Business model of our IDC Solution Services

Our IDC Solution Services include colocation services in terms of server cabinet, Internet connectivity, bandwidth usage and infrastructure management services. The following diagram illustrates the provision of our IDC Solution Services and the value created by us for our clients:



*Note:* The existence of fund flow between users and our clients depends on, among others, the nature of the user and the businesses of our clients. If it is a corporate user who engages our clients for the provision of specialised Internet services or cloud computing services, most likely the corporate user will pay our clients directly. On the other hand, if it is a general Internet user who casually consumes data on the Internet platform operated by our clients or uses general Internet services provided by our clients, there may not be fund flow between them. Nevertheless, our clients may charge such Internet user by providing value-added services from time to time or be benefited indirectly from advertising income.

We possess the capability to coordinate data centre resources among different branch offices of our suppliers, schedule and allocate bandwidth traffic and provide infrastructure management service which would otherwise be inefficient for our suppliers to provide themselves. Along the value chain of the PRC Internet data centre industry, our suppliers, particularly state-owned telecommunication carriers, and our clients generally encounter operational and economical obstacles when they are to deal with each other directly. In particular, these suppliers (i) do not have adequate commercialisation of their B-to-B Business in the data centre operation; (ii) have set out various independent branch offices in a number of cities and regions across the PRC, thereby greatly increasing the transaction costs of our clients to procure and coordinate IDC resources with different branch offices directly; and (iii) tend to offer less competitive price or pricing model to clients who are unable to purchase in bulk and who may not always have huge demand in data centre resources. On the other hand, our IDC Solution Services, our ability to coordinate data centre resources among different branch offices of our suppliers, and our bandwidth scheduling capacity can effectively remedy the above issues. We can thereby reduce transaction cost of both our clients and suppliers and enhance the operational efficiency of the entire value chain of the PRC's Internet data centre industry. For details, please refer to the paragraph headed "Business — Our Role in the Internet Data Centre Industry Value Chain — The pain points faced by state-owned telecommunication carriers and internet companies/ cloud computing service providers" in this prospectus.

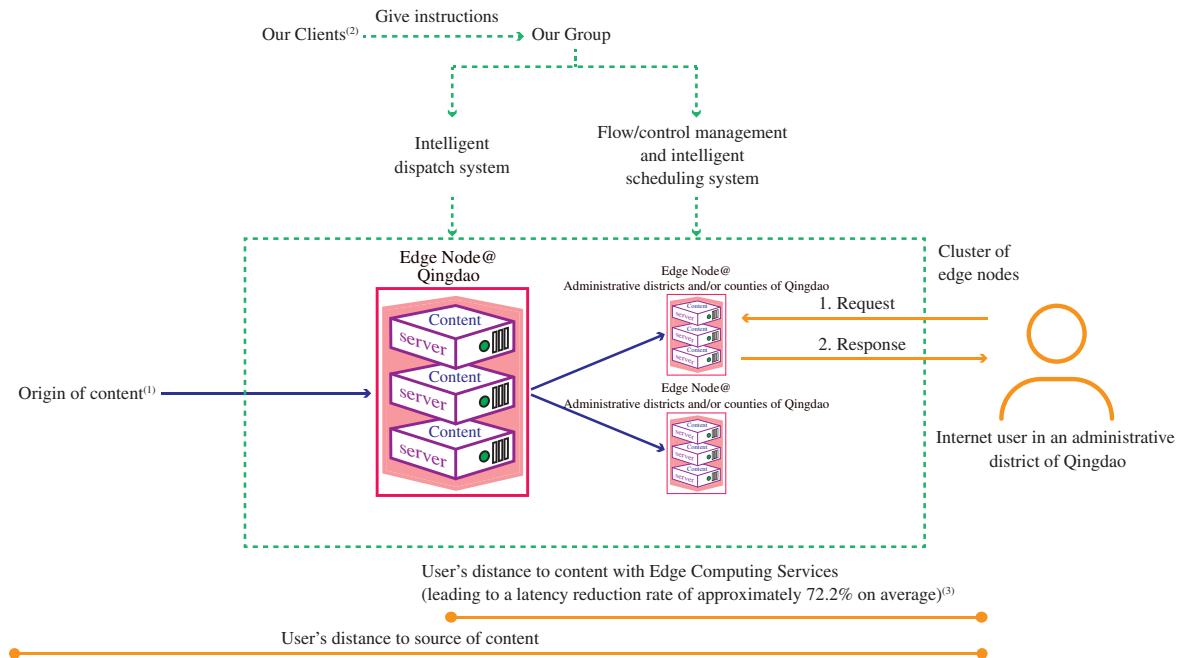
We generally charge our clients based on two pricing models, namely the 95<sup>th</sup> Percentile Bandwidth Charging Model and the Packet Port Charging Model. For the former model, we charge our clients based on their actual bandwidth usage. If their actual bandwidth usage does not exceed a minimum threshold, they will be charged at the minimum threshold. If their actual bandwidth usage exceed a minimum threshold, the 95<sup>th</sup> percentile bandwidth metering will be adopted, by which we charge our clients based on our measurement of their highest bandwidth utilisation after removing the top 5% of their bandwidth utilisation samples collected

# SUMMARY

by us over a certain period of time. For the latter model, we charge our clients based on the number of packet ports used and the fixed price per packet port. For details of our pricing models, please refer to the paragraph headed “Business — Our IDC Solution Services and Edge Computing Services Operation Processes” in this prospectus.

## The value chain, flow and business models of our Edge Computing Services

Our Edge Computing Services under the brand of *Lingjing Cloud* include EdgeCDN Services, services that can efficiently deliver web content to users with a distributed network of servers, EdgeAIoT Services and other edge functionality which has been traditionally delivered by hardware-centric appliances. It offers our clients services with low-latency, low-lagging and high download speed, accurate edge node deployment and high cache hit rate, allowing users’ information request to be transmitted to and/or from the edge of the Internet instead of the source of content and their operational efficiency to be enhanced. The following diagram illustrates the provisions of our Edge Computing Services to an Internet user in an administrative district of Qingdao (for illustration purpose only):



- cabinet
- content flow
- access to content with Edge Computing Services

	Ownership
Cabinets	Owned by our suppliers who also provide power supply
Servers and cables	Owned, operated and deployed by our Group and housed in the infrastructure provided by our suppliers, including (i) servers, and (ii) specially-configured edge servers and storage servers, which are different types of servers with higher and more enhanced functionalities in terms of efficiency, stability and security as compared with ordinary servers
Content	Owned by our clients

**Notes:**

- (1) The origin of content refers to the location where the source of the content is located. For example, our clients upload content to their own servers located in a data centre, which are connected directly to our network. Upon receiving requests from the Internet user, we distribute the relevant content to the Internet user through our edge networks. The origin of content could be far away from the Internet user whereas our edge networks located at administrative districts and/or counties levels are relatively closer to the Internet user, thereby facilitating the delivery of our clients’ contents.
- (2) Our clients mainly include Internet companies and cloud computing service providers, who provide platforms, websites or search engines to Internet users. The data centre resources (including bandwidth) and edge networks provided by us to our clients serve to facilitate the content transmission from the origin of content to the Internet user.



## SUMMARY

- (3) The latency reduction rate is the average percentage decrease of latency in delivering the contents of our clients with the use of Edge Computing Services in the servers located in Qingdao. For details of the latency time with and without the Edge Computing Services, please refer to the paragraph headed “Business — Our Services — Edge Computing Services — Operating data — Number, location and bandwidth usage of the edge nodes established by our Group” in this prospectus.

Edge Computing Services or edge cloud is a form of infrastructure and computing service distinguishable from our IDC Solution Services in that they enable our clients and their users to build, secure and deliver digital experiences at the edge of Internet, based upon our self-built edge computing infrastructure. This service represents the convergence of the CDN with functionality which has been traditionally delivered by hardware-centric appliances such as DDoS solutions. Clients of our Edge Computing Services can also be clients of our IDC Solution Services. However, they do not compete with each other for businesses because the applicable circumstances for IDC Solution Services and Edge Computing Services are different. In this regard, IDC Solution Services are largely applicable in large-scale applications and centralised data storage such as web hosting, cloud computing, software-as-a-service and data-intensive applications, whereas Edge Computing Services are specifically designed for applications that demand low latency, real-time processing and localised data management, which is particularly valuable for IoT deployment, autonomous systems, video streaming and immersive experiences that require immediate and localised responses. In addition, IDC Solution Services usually cater to large-scale cloud service providers in first-tier and second-tier cities, whereas Edge Computing Services cater to its applications in second-tier and third-tier cities. Being able to provide a more diversified service portfolio will help strengthen our established relationship with the clients of IDC Solution Services. For details, please refer to the paragraph headed “Industry Overview — Overview of Internet Data Centre Business Market and IDC Solution Services Market in the PRC — Difference in the technology adopted for IDCs and edge computing” in this prospectus.

Edge nodes locate at the edge of a network which act as gateways and bridges between end-users’ networks and the outside world. They can be situated at municipal levels or administrative districts and counties levels, which are far from the data centre where the source of content is located and close to the content users. An edge node, which primarily comprises specially configured edge servers, storage servers and the edge computing service components owned and developed by our Group, is housed in the infrastructure provided by our suppliers. Through the cache technology, the users’ contents can be temporarily stored at the edge nodes. By employing our Edge Computing Services, users’ content can be transmitted from the edge of the internet upon request, instead of from the original server owned by our clients as compared to the case of our IDC Solution Services. The decentralisation of content greatly reduces the user’s time spent and distance travelled to source of content. For example, we have been able to achieve a latency reduction rate of approximately 72.2% on average in the servers located in Qingdao with the use of our Edge Computing Services as at the Latest Practicable Date. In particular, such latency reduction rate represents the average percentage decrease of latency in delivering the contents of our clients after using our Edge Computing Services. For details of latency reduction of our Edge Computing Services, please refer to the paragraph headed “Business — Our Services — Edge Computing Services — Operating data — Number, location and bandwidth usage of the edge nodes established by our Group” in this prospectus.

To facilitate the efficient operation of the edge nodes, our Group’s research team has developed various systems and platforms in relation to intelligent deployment, scheduling and flow/control management system to effectively optimise the traffic flow, and provide sufficient maintenance and security at the edge nodes.

### *Value created by our Edge Computing Services*

Our Edge Computing Services reduce our clients’ time required and distance travelled to the source of content and enhance their operation efficiency. In addition, the value-added benefits offered by our Edge Computing Services as compared to the traditional IDC solution services, including:

- (i) reduced latency, enabling real-time processing and faster response time for time-sensitive applications;
- (ii) enhanced reliability with a decentralised architecture, reducing a single point of failure;
- (iii) improved bandwidth efficiency, reducing the need to transmit large amounts of raw data to centralised data centres for processing;
- (iv) strengthened data privacy and security by eliminating the need for transmitting data to central data centre, minimising the potential exposure of sensitive information during the transmission process; and

## SUMMARY

- (v) upgraded real-time insights and decision-making process, facilitating industrial automation, autonomous vehicles and remote monitoring featured with the need of immediate response processing data at the edge.

The functionality of our Edge Computing Services is conducive to various advanced technologies in different domains, including:

- (i) IoT deploying, allowing efficient processing and analysis of data generated by IoT devices at the edge;
- (ii) Artificial Intelligence and machine learning, reducing latency and enabling real-time inferencing;
- (iii) augmented reality and virtual reality, reducing latency and enabling real-time processing and rendering of immersive content; and
- (iv) video analytics, enabling applications like video surveillance, object detection, and facial recognition with reduced latency and enhanced privacy.

### *Comparisons between IDC Solution Services and Edge Computing Services*

IDC Solution Services and Edge Computing Services serve different needs in the computing landscape. The former are designed for large-scale data processing, centralised services and scalability while the latter focuses on localised processing, low latency and real-time analytics. The following illustrates the primary differences between our IDC Solution Services and our Edge Computing Services:

	IDC Solution Services	Edge Computing Services
Location	Internet data centres are centralised facilities housing a large number of servers and other infrastructure components designed to serve geographically dispersed users. Often located in secure, climate-controlled buildings with robust power and cooling systems	Edge networks typically locate at the edge of the Internet. Edge nodes can be situated at municipal levels or administrative districts and counties levels, which are close to the Internet end-users
Technologies	Often employ large-scale server farms with powerful processors, massive storage arrays, and specialised hardware accelerators to handle demanding workloads and support applications that require extensive processing and storage capabilities. For redundancy and improved performance, Internet data centres typically employ high-speed fibre optic links and establish connections with multiple internet content provider(s) (“ICP(s)”), which handles the distribution of online content such as graphics, videos, audio or files to the end-users	Network connectivity in edge computing varies depending on the specific edge deployment. Our <i>Lingjing Cloud</i> incorporates our self-developed edge DNS, edge-node deployment system and multi-layered cache technology to improve stability and utilisation rate of our edge nodes, which have sunk into lower tier county level to enhance connectivity speed
Data transmission	Data is transmitted through a combination of wired and fibre optic communication technologies. Data is generated by Internet users in the form of data packets, which are routed through the local network infrastructure to the Internet backbone that connects with the IDC network. Upon reaching the relevant servers in the IDC network, the data packets are processed by the servers and applications running within the data centres	Edge nodes often incorporate local caches to store frequently accessed data or content that is likely to be requested by users in that specific edge location. With our <i>Lingjing Cloud</i> , dynamic requests (which relate to personal information of end-users) reaches the original webserver directly from our edge nodes while static requests (which primarily relate to publicly available data) are served from our multi-layered cache system
Latency and response time	Internet data centres are optimised for large-scale data processing and storage but may have higher latency due to the potentially longer network distance	The proximity of our edge network with the Internet end-users enables faster response times and improves user experiences for latency-sensitive applications

## SUMMARY

	<u>IDC Solution Services</u>	<u>Edge Computing Services</u>
Data processing and workload	Internet data centres are designed to handle massive workloads and process vast amounts of data. As such, they are well-suited for applications that involve heavy computation, big data analytics, and centralised services like cloud computing	Edge computing mainly processes data locally. Given the low latency and faster response time, edge computing is particularly useful for applications that require immediate data processing, such as IoT devices, autonomous vehicles and industrial automation
Redundancy and Scalability	Internet data centres often incorporate redundancy measures and high-availability configurations to ensure continuous operations and minimise downtime. They are designed for scalability and can accommodate the increasing demand for resources in a centralised manner	Edge computing may involve a distributed network of smaller-scale computing resources, which can provide localised redundancy and scalability but may require additional coordination and management

For details, please refer to the paragraph headed “Industry Overview — Overview of Internet Data Centre Business Market and IDC Solution Services Market in the PRC — Introduction of edge computing” in this prospectus.

### **Business Model of our ICT Services and Other Services**

We usually provide our ICT Services and Other Services on a project basis per client’s occasional enquiries and requests. They include information communications technology solution, system development and maintenance, consultation services and provision of cloud computing hardware resources to our clients. We also provide short message services, phone plan recharge service and WeChat corporate mini-application development services.

### **OUR CLIENTS AND SUPPLIERS**

#### **Our clients**

Our clients primarily consist of top-notch cloud computing service providers, Internet companies and blue-chip listed companies in the PRC. For each year during the Track Record Period, our revenue generated from our five largest clients accounted for 74.6%, 77.5% and 67.3%, respectively, of our revenue in the same year. For each year during the Track Record Period, our revenue generated from our largest client accounted for 28.7%, 20.5% and 20.9%, respectively, of our revenue in the same year. For details, please refer to the paragraph headed “Business — Our Clients” in this prospectus.

#### **Our suppliers**

Our major suppliers are state-owned telecommunication carriers and small-and-medium data centre owners and operators in the PRC. For each year during the Track Record Period, charges from our five largest suppliers accounted for 89.2%, 92.1% and 62.7%, respectively, of our cost of sales in the same year. For each year during the Track Record Period, charges from our largest supplier accounted for 66.6%, 55.2% and 29.2%, respectively, of our cost of sales in the same year. For details, please refer to the paragraph headed “Business — Our Suppliers” in this prospectus.

#### **Relationship with our Largest Supplier — Supplier A**

Our relationship with Supplier A can be traced back to 2016, where the Internet data centre business was at a transformation stage and more advanced, integrated and energy-saving cloud services were highly demanded in the market. Although Supplier A had the leading and extensive data centre infrastructure across the PRC, data centre operation was not their main profit centre. Their IDC solution service operation and data centre resource distribution level might not be able to catch up with the vast volume of cloud service resources, leaving their bandwidth idling and unprofitable. Our emergence satisfied their need for flexible and extensive IDC solution service providers.

In 2016, our Directors noticed such opportunity and formed the platform as a bridge between bandwidth suppliers and bandwidth users. At that time, our Group’s then and current client at the Track Record Period, a National High and New Tech Enterprise recognised by the Shenzhen Municipal Government, intended to purchase data centre resources from Supplier A in Qingdao. It was then the first IDC service provided by the Qingdao branch office of Supplier A (the “**Qingdao Branch Office**”), which lacked the relevant experience

## SUMMARY

in the management and maintenance of data centres. Such client introduced our Group to Qingdao Branch Office. Our cooperation with Supplier A began in Qingdao, where we sourced data centre resources from them, mainly including server rack space, power supply and bandwidth capacity, assisted them in completing relevant regulatory filing procedures and took charge of the maintenance of the data centres of the Qingdao Branch Office. It was when Supplier A strategically embarked on seizing the first-mover advantage in the relatively unexplored Internet data centre business market in the area. Our contribution to the cooperation included our experience in cloud infrastructure management services, our bandwidth selling and scheduling capacity and our liaising with downstream Internet companies. Our starting point in Qingdao laid the foundation of our lasting relationship with Supplier A. Since then, our co-development and joint exploration of data centre operation with Supplier A have extended to Jiangsu Province, Guangdong Province, Zhejiang Province, Guangxi Province, Hebei Province, Shanxi Province, Sichuan Province, Guizhou Province, Qinghai Province, Xinjiang Uygur Autonomous Region and the Inner Mongolia. Our Directors consider that, out of approximately 20–30 customers and business partners of Supplier A in the area of IDC solution services, we have become one of the most important ecosystem partners of Supplier A in terms of transaction amount in the area of data centre operation in Shandong Province and Inner Mongolia.

As China's upstream data centre resources and facilities are dominated by three state-owned telecommunication carriers and given Supplier A's leading position in the infrastructure development of 5G network in the PRC, our Directors consider that it is the industry norm and also in the best interests of our Group to rely on one or more state-owned telecommunication carriers in the PRC for data centre resource procurement. We consider our relationship with Supplier A and other state-owned telecommunication carriers to be stable and unlikely to materially and adversely change or terminate. As confirmed by our Directors, we have not encountered any difficulties in renewing the data centre business agreement with Supplier A since 2016. Given the established and mutually complementary relationship between our Group and Supplier A, our Directors are of the view that our good relationship with Supplier A will sustain in the future.

Our Directors consider that we are not overly reliant on Supplier A, mainly because (i) we have ongoing plans to diversify sources and reduce concentration risk; (ii) we have readily available alternatives; and (iii) Supplier A and our Group are mutually complementary to each other in the area of data centre operation. For details, please refer to the paragraph headed "Business — Our Suppliers — Relationship with our largest supplier — Supplier A" in this prospectus.

### STRENGTHS

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

- Our established foundation in the fast-growing IDC solution service market with strong brand recognition in the PRC, capturing the enormous unreached potential of the fast-growing Web 3.0 market;
- Stable relationships with our large and market-leading clients;
- Established and mutually complementary relationships with upstream telecommunication carriers and cross-regional IDC resource suppliers in the area of data centre operation;
- Highly efficient, flexible, and scalable business model with proven track records;
- One of the active contributors in the development of the cross-regional edge computing network in prefecture-level cities and administrative districts and counties in the PRC; and
- Visionary and experienced management team.

For details, please refer to the paragraph headed "Business — Our Strengths" in this prospectus.

### STRATEGIES

To achieve our mission, we intend to pursue the following strategies:

- Expand our market share by deepening our relationship with our existing clients, increase our service offerings and enlarge our client base;
- Pursue regional opportunities horizontally and deepen service offerings vertically; and
- Heighten resources dedication to our research and development team to further enhance our Internet data centre platform's operational efficiency.

For details, please refer to the paragraph headed "Business — Our Strategies" in this prospectus.

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## SUMMARY OF KEY OPERATING DATA

The following table sets out the revenue generated from our IDC Solution Services, number of cabinet usage, for accommodating the servers provided by our clients in connection with their bandwidth procurement, and bandwidth usage concerning the network or our managed data centres we established for the Track Record Period in major regions:

Regions	For the year ended 31 December														
	2021					2022					2023				
	Revenue (in RMB million)	Number of cabinet usage	Approximate bandwidth usage (in Gbps)	Revenue (in RMB million)	Number of cabinet usage	Approximate bandwidth usage (in Gbps)	Revenue (in RMB million)	Number of cabinet usage	Approximate bandwidth usage (in Gbps)	Revenue (in RMB million)	Number of cabinet usage	Approximate bandwidth usage (in Gbps)			
Northern part, including Beijing, Shanxi Province and the Inner Mongolia	68.61	774	18,581.4	141.45	1,298	29,994.5	147.32	2,238	29,457.1						
Eastern part, including Shandong Province, Jiangsu Province and the direct-administered municipality of Shanghai	320.07	12,986	50,367.5	383.13	3,161 <sup>(Note)</sup>	70,756.2	402.71	3,517	75,762.4						
Central part, including Hunan Province	0.04	—	0.1	0.01	4	—	25.61	115	5,865.5						
Southern part, including Foshan, Guangzhou, Shenzhen and Nanjing	23.28	398	4,331.5	—	—	—	48.79	116	13,832.3						
South-western and north-western parts, including Sichuan Province, Qinghai Province, the Xinjiang Uygur Autonomous Region and the direct-administered municipality of Chongqing	25.23	229	4,371.4	14.07	119	2,623.7	49.32	645	10,564.4						
<b>Total</b>	<b>437.23</b>	<b>14,387</b>	<b>77,651.9</b>	<b>538.66</b>	<b>4,582</b>	<b>103,374.4</b>	<b>673.75</b>	<b>6,631</b>	<b>135,481.7</b>						

*Note:* In 2021, we had an one-off arrangement with Client B where we provided a significant number of cabinets to Client B for a transitional period until the Wuxi Branch of Supplier A could readily deliver the same to Client B. Since such one-off arrangement was terminated in August 2021, we recorded a significant decrease in the number of cabinet usage in Eastern China by 75.7% from 12,986.0 for the year ended 31 December 2021 to 3,161 for the year ended 31 December 2022. For further details, please refer to the paragraph headed “Financial Information — Description of Major Components of our Results of Operations — Cost of sales” in this prospectus.

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The following table sets out the number of our new clients, repeating clients and total clients who engaged us and the average revenue per client thereof in each of our business segments for the years indicated:

	For the year ended 31 December											
	2021				2022				2023			
	IDC Solution Services	Edge Computing Services	ICT Services and Other Services	ICT Services and Other Services	IDC Solution Services	Edge Computing Services	ICT Services and Other Services	ICT Services and Other Services	IDC Solution Services	Edge Computing Services	ICT Services and Other Services	ICT Services and Other Services
Number of clients:												
— New clients <sup>(Note)</sup>	6	—	14	11	11	2	4	4	30	11	11	21
— Repeating clients	30	—	7	24	24	—	4	4	21	21	5	4
Total clients	36	—	21	35	35	2	8	8	51	16	16	25
Total segment revenue for the year (RMB'000)	437,232	—	27,044	538,662	538,662	5,202	4,889	4,889	673,752	18,064	18,064	4,133
Average segment revenue per client for the year (RMB'000)	12,145	—	1,288	15,390	15,390	2,601	611	611	13,211	1,129	1,129	165

*Note:* New clients refer to the clients which did not have any transaction with our Group in the past five years.



## SUMMARY

### U.S. TRADE RESTRICTIONS

The persons on the Entity List are subject to individual licensing requirements and policies supplemental to those found elsewhere in the Export Administration Regulations (“**EAR**”). More specifically, a license is required for the export, reexport, or transfer (in-country) of items subject to the EAR when an entity on the Entity List is a party to the transaction. Parties to the transaction may include purchasers, intermediate consignees (such as forwarding agents), ultimate consignees, and end-users. The nature of the restrictions imposed by the EAR, and the Entity List specifically, is that of transfer restrictions. The restrictions cover not just products that are produced in the United States and transferred to a purchaser in final form, but also include transfers of (i) non-U.S. produced items which are produced with certain U.S. software, technology or manufacturing equipment, and (ii) items produced with U.S. technologies that are destined to be sold to persons on the Entity List regardless of whether the listed entity is the purchaser, consignee or end-user of such products.

### Our transactions with Client I

We had transactions with Client I, which was on the Entity List during the Track Record Period. The revenue generated from Client I were RMB43.4 million, RMB71.2 million and RMB48.1 million, which accounted for 9.3%, 13.0% and 6.9% of our total revenue for the years ended 31 December 2021, 2022 and 2023, respectively. The increase in revenue generated from Client I in the year ended 31 December 2022 was mainly due to ordinary expansion in business volume as we started to procure IDC resources from multiple state-owned telecommunication carriers in response to the business needs of Client I in different data centres. We then recorded a decrease in revenue generated from Client I in the year ended 31 December 2023. Such decrease was primarily due to Client I’s adjustment in market strategy where Client I streamlined its business amount in several data centres. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we did not procure any service or equipment outside of the PRC for any of our transactions with Client I. The International Sanctions Legal Adviser is of the view that the sanction risk related to our transactions with Client I during the Track Record Period is low on the grounds that (i) the Group only operated and provided services to its clients in the PRC; and (ii) the Group only provided services but not servers or equipment to its clients.

### Our Group’s day-to-day operation

In provision of the IDC Solution Services, Edge Computing Services and ICT Services and Other Services, the Group’s business model is that of a service provider, providing services that include, among others, management services including server racking, data center management services, server monitoring, management and maintenance services, server load balancing service, emergency reporting, network management and server middleware services, server security service, data backup, business continuity and disaster recovery services, system security services, technical consultation, general reporting, upgrade support and complaint handling. In particular, as the Group has adopted the “non-self-built data center” model and hosts servers and other equipment as part of its IDC Solution Services, the Group does not sell these servers or other equipment to its customers. In view of the Group’s business model, the Group does not (i) import, directly or indirectly, products from the United States; (ii) transfer or deliver products, directly or indirectly, that other companies may have imported from the United States; and (iii) provide services outside the PRC.

As a result, the International Sanctions Legal Adviser is of the view, and the Directors concur that, as at the Latest Practicable Date, (1) there are no U.S. trade restrictions or regulations that place restrictions on the Group’s business; (2) there had not been and there was not likely to be any adverse impact on the Group’s business operations as a result of any trade restrictions or regulations; (3) any export control and economic or trade sanctions imposed and/or proposed to be imposed on the PRC and Hong Kong and the Company’s customers or suppliers as well as the Group’s business dealings or relationship with restricted entities and/or sanctioned customers or suppliers will not have a material adverse impact on the Company. Further, given the proposed Listing scope and the expected use of proceeds, the involvement by parties in the proposed Listing will not implicate any applicable International Sanctions on such parties, including the Group, its respective directors and employees, the Company’s or its subsidiaries’ investors and shareholders. For details, please refer to the paragraph headed “Business — U.S. Trade Restrictions” in this prospectus.

## SUMMARY

### RISK FACTORS

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

- A slowdown in the demand for our IDC Solution Services could have a material adverse effect on us;
- Any inability to manage the growth of our operations could disrupt our business and reduce our profitability;
- Our ability to provide IDC Solution Services depends on the major telecommunications carriers in China providing sufficient network services to our clients in the data centre facilities that we operate on commercially acceptable terms;
- If we are not successful in expanding our service offerings, we may not achieve our financial goals and our results of operations may be adversely affected;
- If we fail to adapt and respond effectively to rapidly changing technology, evolving industry standards, changing regulations, and changing client needs, requirements, or preferences, our products may become less competitive; and
- Any significant or prolonged failure in the data centre facilities covered in our operation or services we provide would lead to significant costs and disruptions and would reduce our net revenue, harm our business reputation and have a material adverse effect on our results of operation.

For details, please refer to the section headed “Risk Factors” in this prospectus.

### CONTRACTUAL ARRANGEMENTS

The provision of IDC Solution Services and Edge Computing Services are subject to foreign investment restrictions under the current PRC laws and regulations. The provision of IDC Solution Services and Edge Computing Services falls within the scope of value-added telecommunication services. After consultation with our PRC Legal Adviser, we determined that it was not viable for our Company to hold Cloud Factory and its subsidiaries directly through equity ownership. Instead, we decided that, in line with common practice in the industries subject to foreign investment restrictions in the PRC, we would gain effective control over the Consolidated Affiliated Entities through the Contractual Arrangements among, Wuxi Lingjingyun, Cloud Factory and the Registered Shareholders. For details, please refer to the section headed “Contractual Arrangements” in this prospectus.

On 15 March 2019, the National People’s Congress approved the Foreign Investment Law (《中華人民共和國外商投資法》) which became effective on 1 January 2020. On 26 December 2019, the State Council issued the Implementation Rule (《中華人民共和國外商投資法實施條例》) (the “**Implementation Rules**”), which came into effect on 1 January 2020. The Foreign Investment Law replaced the Law on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》) and the Law on Foreign-Capital Enterprises (《中華人民共和國外資企業法》) to become the legal foundation for foreign investment in the PRC. The definition of “foreign investors” in the Foreign Investment Law and its implementing regulations include foreign natural persons, enterprises and other organisations, which does not include enterprises incorporated within the territory of China in accordance with Chinese laws but controlled by foreign natural persons or entities. Moreover, the Implementation Rules are also silent on whether foreign investment includes contractual arrangements. For details, please refer to the section headed “Contractual Arrangements” in this prospectus.



# SUMMARY

## COMPETITIVE LANDSCAPES

### Competitive landscape of the PRC's Internet data centre industry and IDC solution service industry

The PRC's Internet data centre industry is a competitive and fragmented market, with a number of market participants adopting different business models and each having distinctive service offerings and customer networks. In particular, the competitions from state-owned telecommunication carriers, independent IDC service providers, other Internet companies, and cloud computing companies make the IDC market in the PRC highly dynamic and competitive. For further details, please refer to the paragraph headed "Industry Overview — Competitive Landscape of Internet Data Centre Business Market in the PRC" in this prospectus. Our Group ranked the 11<sup>th</sup> in the Internet data centre industry among carrier-neutral service providers in terms of revenue in 2022 with a market share of 0.6%. The top 20 market participants account for 34.5% of market share by revenue in 2022. The IDC solution service market is a highly fragmented and competitive market, with an estimated number of 400 players on various scales.

It is common for carrier-neutral Internet data centre service providers not to build and develop any data centres by themselves considering the initial capital commitment involved. Instead, they directly manage the space and cabinets of the data centres owned by telecommunication carriers or third-party IDC operators, whose business models are considered more efficient, flexible and highly scalable.

The entry barriers include the relationship with state-owned telecommunication carriers, technical know-how, track record and client network.

### Competitive landscape of the PRC's edge computing service market

As estimated, there are more than 100 market participants in the edge computing service market, which is relatively consolidated in the PRC, with the top five market participants accounting for 22.2% of the market share in 2022. Our Group recorded revenue of RMB5.2 million, accounting for the market share of 0.01% of the edge computing industry in the PRC in 2022. For details, please refer to the paragraph headed "Industry Overview — Competitive Landscape of Edge Computing Market in the PRC" in this prospectus.

## SUMMARY OF HISTORICAL FINANCIAL INFORMATION

### Summary of consolidated statements of comprehensive income

The following table sets forth our consolidated statements of comprehensive income with line items in absolute amounts for the years indicated, which is extracted from the Accountants' Report set out in Appendix I to this prospectus:

	<b>For the year ended 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Revenue	464,276	548,753	695,949
Cost of sales	(407,840)	(479,810)	(608,308)
Gross profit	56,436	68,943	87,641
Other income and gains	3,476	476	1,318
Selling and distribution expenses	(3,567)	(5,087)	(8,145)
Administrative expenses	(22,229)	(29,880)	(35,681)
Research and development expenses	(17,024)	(23,574)	(22,231)
Impairment losses on financial assets	114	(465)	(4,155)
Other expenses	(183)	(388)	(89)
Finance costs	(2,290)	(2,362)	(3,987)
<b>PROFIT BEFORE TAX</b>	<b>14,733</b>	<b>7,663</b>	<b>14,671</b>
Income tax (expense)/credit	(2,048)	371	(447)
<b>Profit and total comprehensive income for the year</b>	<b>12,685</b>	<b>8,034</b>	<b>14,224</b>
<b>Profit and total comprehensive income for the year is attributable to:</b>			
— owners of the parent	12,685	8,034	13,923
— non-controlling interests	—	—	301

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### Non-IFRS Measure: adjusted net profit

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

We define "adjusted net profit (non-IFRS measure)" as profit/loss for the year and add back listing expenses. During the Track Record Period, our listing expenses referred to expenses we incurred in connection with the Global Offering.

The following table sets forth the reconciliations of our adjusted net profit (non-IFRS financial measure) for the years ended 31 December 2021, 2022 and 2023 to the nearest measure prepared in accordance with IFRS:

	For the year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
<b>Net profit</b>	<b>12,685</b>	<b>8,034</b>	<b>14,224</b>
Adjust for:			
Listing expenses	8,244	5,583	9,376
<b>Adjusted net profit (non-IFRS measure)</b>	<b>20,929</b>	<b>13,617</b>	<b>23,600</b>

Our adjusted net profit (non-IFRS measure) amounted to RMB20.9 million, RMB13.6 million and RMB23.6 million for the years ended 31 December 2021, 2022 and 2023, respectively. Our adjusted net profit margin (non-IFRS measure) was 4.5%, 2.5% and 3.4% for the years ended 31 December 2021, 2022 and 2023, respectively. The decrease in the adjusted net profit (non-IFRS measure) and the adjusted net profit margin (non-IFRS measure) for the year ended 31 December 2022 when compared with those for the year ended 31 December 2021 were mainly as a result of (a) the increase in the research and development expense attributable to (i) the hiring of new and qualified research and development staff and (ii) the testing fee of RMB5.7 million incurred for testing the performance of edge nodes at the edge computing infrastructure in Shandong Province; and (b) the increase in the administrative expenses attributable to increase of salaries and benefits of our administration employees. Our adjusted net profit (non-IFRS measure) increased from RMB13.6 million for the year ended 31 December 2022 to RMB23.6 million for the year ended 31 December 2023 while our adjusted net profit margin (non-IFRS measure) increased from 2.5% to 3.4% during the same years, respectively. Since our gross profit margin remained stable at 12.6% for both the years ended 31 December 2022 and 2023, the increase in our adjusted net profit margin (non-IFRS measure) was primarily attributable to our improvement in operational efficiency as evidenced by the facts that, although we recorded a significant growth in revenue by 26.8% for the year ended 31 December 2023, our research and development expenses decreased by 5.7% while our administrative expenses increased to a lesser extent by 19.4%.

### Revenue

#### Operating segments

During the Track Record Period, we generated revenue from three operating segments, namely (i) IDC Solution Services; (ii) Edge Computing Services; and (iii) ICT Services and Other Services. The IDC Solution Services is currently the largest segment, which accounted for 94.2%, 98.2% and 96.8% of our revenue for the years ended 31 December 2021, 2022 and 2023, respectively. The following table sets forth a breakdown of our revenue by segments for the years indicated:

	For the year ended 31 December					
	2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%
IDC Solution Services	437,232	94.2	538,662	98.2	673,752	96.8
Edge Computing Services	—	—	5,202	0.9	18,064	2.6
ICT Services and Other Services	27,044	5.8	4,889	0.9	4,133	0.6
<b>Total</b>	<b>464,276</b>	<b>100.0</b>	<b>548,753</b>	<b>100.0</b>	<b>695,949</b>	<b>100.0</b>

## SUMMARY

Our revenue increased significantly by 18.2% from RMB464.3 million in 2021 to RMB548.8 million in 2022, and further increased by 26.8% to RMB695.9 million. The increase was primarily attributable to (i) business expansion and our clients' rising demand for our IDC Solution Services; (ii) an increase in revenue from our major clients due to our strategic emphasis on our cooperation with major clients; (iii) continued introduction of new major clients to our services; and (iv) the launch of our Edge Computing Services under the brand of *Lingjing Cloud* in 2022. During the Track Record Period, the revenue generated from our ICT Services and Other Services decreased from RMB27.0 million for the year ended 31 December 2021 to RMB4.1 million for the year ended 31 December 2023. The corresponding proportion of revenue from our ICT Services and Other Services to the total revenue decreased from 5.8% in 2021 to 0.6% in 2023. It is our strategy to place increasing focus on our IDC Solution Services and our newly developed Edge Computing Services, which tend to generate stable and sustainable revenue, compared to our ICT Services and Other Services, which tend to be project-based and of which future revenue is less predictable. For details, please refer to the paragraph headed "Financial Information — Description of Major Components of our Results of Operations — Revenue" in this prospectus.

### *Pricing models*

We generally charge our clients by a mix of the 95<sup>th</sup> Percentile Bandwidth Charging Model and the Packet Port Charging Model (as defined in the paragraph headed "Business — Our IDC Solution Services and Edge Computing Services Operation Processes — Billing and Payment Stage" in this prospectus). The following table sets forth the revenue breakdown of (chargeable by bandwidth usage) our IDC Solution Services by the different pricing models.

	For the year ended 31 December					
	2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%
By the 95 <sup>th</sup> Percentile Bandwidth Charging Model	275,116	62.9	466,550	86.6	561,177	83.3
By the Packet Port Charging Model	94,527	21.6	56,595	10.5	59,925	8.9
Others <sup>(Note)</sup>	67,589	15.5	15,517	2.9	52,650	7.8
<b>Total</b>	<b>437,232</b>	<b>100.0</b>	<b>538,662</b>	<b>100.0</b>	<b>673,752</b>	<b>100.0</b>

#### *Note:*

"Others" includes revenue from IDC Solution Services chargeable by cabinet expenses, IP expenses and others

Such charging mix may vary, depending on the client's demand for bandwidth usage and supplier's varying bandwidth unit cost to us year by year. For details, please refer to the paragraph headed "Business — Our IDC Solution Services and Edge Computing Services Operation Processes" in this prospectus.

### **Cost of Sales**

Our cost of sales primarily consists of IDC Solution Services-related costs, Edge Computing Services-related costs and ICT expenses, mainly contributed from bandwidth cost, cabinet expenses, IP expenses and maintenance expenses. The cost of sales amounted to RMB407.8 million, RMB479.8 million and RMB608.3 million for the years ended 31 December 2021, 2022 and 2023, respectively. The bandwidth cost accounted for the largest portion of our cost of sales, representing 80.3%, 95.1% and 87.5%, respectively, of our cost of sales in the same years. The overall increase was driven by the continuous growth of our business. The bandwidth cost refers to the amount charged to us by the state-owned telecommunication carriers, which was directly and indirectly affected by the bandwidth usage by our clients. Therefore, the factors affecting the cost of sales of our Company were primarily (i) the volume of business as a result of our clients' demand and (ii) the adjustment of fees charged by state-owned telecommunication carriers in light of market circumstances.

The following table sets forth our cost of sales by segment, both in absolute amount and as a percentage of our cost of sales for the years indicated:

	For the year ended 31 December					
	2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%
IDC Solution Services	387,152	94.9	472,036	98.4	593,347	97.5
Edge Computing Services	—	—	4,244	0.9	14,385	2.4
ICT Services and Other Services	20,688	5.1	3,530	0.7	576	0.1
<b>Total</b>	<b>407,840</b>	<b>100.0</b>	<b>479,810</b>	<b>100.0</b>	<b>608,308</b>	<b>100.0</b>

## SUMMARY

The cost of sales increased by 17.7% from RMB407.8 million for the year ended 31 December 2021 to RMB479.8 million for the year ended 31 December 2022. The increase was mainly attributable to the increase in bandwidth cost, resulting from our clients' increased bandwidth usage, which was consistent with the business expansion in our IDC Solution Services and partially offset by the decrease in cost of sale from ICT Services and Other Services which was in line with the drop in revenue of such business segment for the year ended 31 December 2022. Subsequently, the cost of sales increased by 26.8% from RMB479.8 million for the year ended 31 December 2022 to RMB608.3 million for the year ended 31 December 2023, which was consistent with our business and service expansion in each of our IDC Solution Services and Edge Computing Services. For details, please refer to the paragraph headed "Financial Information — Year-to-year Comparisons of Results of Operations" in this prospectus.

### Gross profit and gross profit margin

The following table sets forth our gross profit both in absolute amount and gross profit margin as a percentage of revenue, by segment for the years indicated.

	For the year ended 31 December					
	2021		2022		2023	
	gross profit RMB'000	gross profit margin %	gross profit RMB'000	gross profit margin %	gross profit RMB'000	gross profit margin %
IDC Solution Services	50,080	11.5	66,626	12.4	80,405	11.9
Edge Computing Services	—	—	958	18.4	3,679	20.4
ICT Services and Other Services	6,356	23.5	1,359	27.8	3,557	86.1
<b>Total</b>	<b>56,436</b>	<b>12.2</b>	<b>68,943</b>	<b>12.6</b>	<b>87,641</b>	<b>12.6</b>

The overall gross profit margin increased from 12.2% for the year ended 31 December 2021 to 12.6% for the year ended 31 December 2022, and remained relatively stable at 12.6% for the year ended 31 December 2023. During the Track Record Period, the factors which affected the gross profit margin of our business include (i) our strategy to offer clients with competitive prices; (ii) the improved efficiency and utilisation rate of our bandwidth resource due to our enhanced scheduling capacity, resulting in the economies of scale; and (iii) a delay in the implementation of increased cost pass-through to clients, resulting from the time mismatch between the rise in the fees charged to us upon the renewal of data centre business agreements and the rise in our price charged to our clients upon the renewal of the colocation and infrastructure management service agreements; and (iv) the introduction of *Lingjing Cloud* which provided for higher gross profit margin. For details of our implementation of increased cost pass-through, please refer to the paragraph headed "Financial Information — Description of Major Components of our Results of Operations — Gross profit and gross profit margin" in this prospectus.

### Summary of consolidated statements of financial position

The following tables sets forth out a summary of our consolidated statements of financial positions as at the dates indicated.

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Total non-current assets	13,356	15,924	103,811
Total current assets	239,579	297,353	397,930
Total non-current liabilities	—	—	664
Total current liabilities	215,292	267,600	446,176
Net current assets/(liabilities)	24,287	29,753	(48,246)
Non-controlling interests	—	—	763
Total equity	37,643	45,677	54,901

## SUMMARY

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

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
<b>Current assets</b>			
Trade receivables	97,581	115,066	197,627
Prepayments, other receivables and other assets	10,321	19,777	37,962
Tax recoverable	440	273	—
Amounts due from related parties	84,231	84,251	—
Cash and cash equivalents	47,006	77,986	162,341
	239,579	297,353	397,930
<b>Current liabilities</b>			
Trade payables	151,931	171,303	244,135
Other payables and accruals	15,344	24,921	31,481
Contract liabilities	133	1,849	76
Interest-bearing bank borrowings	42,083	67,013	166,734
Lease liabilities	—	192	595
Tax payable	5,801	2,322	3,155
	215,292	267,600	446,176
Net current assets/(liabilities)	24,287	29,753	(48,246)

We recorded net current assets of RMB24.3 million and RMB29.8 million as at 31 December 2021 and 2022, primarily consisting of trade receivables and amounts due from related parties, as partially offset by trade payables and interest-bearing bank borrowings. As at 31 December 2023, we recorded net current liabilities of RMB48.2 million, primarily consisting of trade payables, interest-bearing bank borrowings and other payables and accruals, as partially offset by trade receivables, cash and cash equivalents and prepayments, other receivables and other assets.

As at 31 December 2022, we recorded a net current assets of RMB29.8 million whereas we had a net current liabilities of RMB48.2 million as at 31 December 2023, representing an increase in net current liabilities of RMB78.0 million. The significant surge in current liabilities was primarily attributable to (i) the increase of RMB99.7 million in our interest-bearing bank borrowings; (ii) the increase of RMB72.8 million in our trade payables; and (iii) the decrease of RMB84.3 million in our amounts due from related parties as a result of the full repayment of interest-free loan to Mr. Sun; and was partially offset by the increase in trade receivables of RMB82.5 million and increase in prepayments, other receivables and other assets of RMB18.2 million, when compared with the respective figures recorded as at 31 December 2022.

Our net current assets increased by 22.6% from RMB24.3 million as at 31 December 2021 to RMB29.8 million as at 31 December 2022, primarily due to the increase of RMB17.5 million in our trade receivables in line with our growth in credit sales and business expansion and an increase of RMB31.0 million in our cash and cash equivalents.

Our net assets increased from RMB37.6 million as at 31 December 2021 to RMB45.7 million as at 31 December 2022, mainly due to the total comprehensive income for the year of RMB8.0 million. Our net assets further increased from RMB45.7 million as at 31 December 2022 to RMB54.9 million as at 31 December 2023, mainly due to the combined effect of (i) the total comprehensive income for the year of RMB14.2 million, (ii) the capital contribution from the equity holder of subsidiaries in the amount of RMB25.0 million and (iii) the dividends in the amount of RMB30.0 million paid to the then shareholders.

For details, please refer to the paragraph headed “Financial Information — Discussion of Certain Key Balance Sheet Items” in this prospectus.

## SUMMARY

### Summary of consolidated statements of cash flows

	For the year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Net cash flows from operating activities	68,279	16,554	33,915
Net cash flows used in investing activities	(5,350)	(7,389)	(121,322)
Net cash flows (used in)/from financing activities	(16,820)	21,815	171,762
Net increase in cash and cash equivalent	46,109	30,980	84,355
Cash and cash equivalents at the beginning of year	897	47,006	77,986
Cash and cash equivalent at the end of year	47,006	77,986	162,341

For the year ended 31 December 2023, we recorded net operating cash inflow of approximately RMB33.9 million, net investing cash outflow of RMB121.3 million and net financing cash inflow of RMB171.8 million. For the net investing cash outflow, which increased from RMB7.4 million to RMB121.3 million when compared with the previous year, it was primarily attributable to the addition of long term receivables of RMB192.7 million and advances to third parties of RMB10.4 million, despite receiving the repayment of long term receivables of RMB94.6 million. For the net financing cash inflow, which increased from RMB21.8 million to RMB171.8 million when compared with the previous year, it was primarily attributable to the granting of new bank loans of RMB263.0 million, the repayment of the interest-free loan due from Mr. Sun of RMB84.3 million and the capital contribution from the equity holder of the Group's subsidiaries in the amount of RMB25.0 million, as partially counteracted by our repayment of bank loans as well as dividends paid to the then shareholders in the amount of RMB163.0 million and RMB30.0 million, respectively.

For details, please refer to the paragraph headed “Financial Information — Liquidity and Capital Resources” in this prospectus.

### Key financial ratios

The following table sets forth certain key financial ratios/metrics in relation to our business performance and financial position for the years or as at the dates indicated:

	For the year ended/As at 31 December		
	2021	2022	2023
Gross profit margin (%)	12.2	12.6	12.6
Net profit margin (%) <sup>(1)</sup>	2.7	1.5	2.0
Return on equity (%) <sup>(2)</sup>	33.7	17.6	25.9
Current ratio <sup>(3)</sup>	1.1	1.1	0.9
Quick ratio <sup>(4)</sup>	1.1	1.1	0.9
Gearing ratio <sup>(5)</sup>	1.1	1.5	3.1
Net debt to equity ratio <sup>(6)</sup>	(0.1)	(0.2)	0.1

#### Notes:

- Net profit margin is calculated based on our profit for the respective year attributable to owners of our Company divided by total revenue for the same year and multiplied by 100%.
- Return on equity is calculated based on our profit for the respective year attributable to owners of our Company divided by the average balance of total equity attributable to owners of our Company of the beginning and end of the respective year and multiplied by 100%.
- Current ratio is calculated based on the total current assets as at the respective dates divided by the total current liabilities as at the respective dates.
- Quick ratio represents current assets less inventories divided by current liabilities of the same date.
- Gearing ratio is calculated based on the total debt (representing interest-bearing bank borrowings and lease liabilities) as at the respective dates divided by total equity as at the respective dates.
- Net debt to equity ratio is calculated based on the net debt divided by total equity as at the end of each respective year. Net debt includes all interest-bearing bank borrowings net of cash and cash equivalents.

For details, please refer to the paragraph headed “Financial Information — Key Financial Ratios” in this prospectus.



## SUMMARY

### DIVIDENDS

We declared dividends of RMB2.0 million, nil and RMB30.0 million to the then shareholders for the years ended 31 December 2021 and 2022 and 2023, respectively. As at the Latest Practicable Date, we settled all payment. Currently, we do not have a fixed dividend distribution ratio.

### RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

#### Business developments

Our Group has preliminarily established the coverage of cross-regional edge computing network of our *Lingjing Cloud* in Northern China and has continued to utilise our currently available internal funds to develop our edge computing network. In addition, with a view to satisfy our clients' business needs, we had expanded our edge node network into four provinces including Hunan, Fujian, Guangdong and Jiangxi during the two months ended 29 February 2024. As at the Latest Practicable Date, we have also received a number of award and recognitions from authoritative organisations, namely the Edge Computing Community, the Internet Society of China and Wuxi Big Data Association. For details, please refer to the paragraph headed "Business — Our Strengths — One of the active contributors in the development of the cross-regional edge computing network in prefecture-level cities and administrative districts and counties in the PRC" in this prospectus.

In December 2023, Cloud Factory has been recognised as a provincial level Specialised and New Small and Medium Sized Enterprise (專精特新中小企業) of Jiangsu Province in 2023, which is valid for a period of three years. Such recognition indicates the acknowledgment of our Group's capabilities in innovation, quality and growth potential. According to a three-year plan published by the Jiangsu provincial government, such enterprises may receive, among others, enhanced policy and administration support as well as financial and funding support from the government. In addition, we were awarded the big data innovative application achievement award (大數據創新應用成果獎) by the Wuxi Big Data Association in February 2024 and obtained the recognition as one of the top 20 edge computing enterprises in the PRC in April 2024.

After the Track Record Period and up to the Latest Practicable Date, we acquired a total of ten new clients, i.e. the clients which did not have any transaction with our Group in the past five years, among which four clients engaged us for our IDC Solution Services and six clients engaged us for our Edge Computing Services, respectively.

#### Rules relating to overseas offering and listing

On 17 February 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the "Trial Administrative Measures") and five supporting guidelines (collectively, the "Overseas Listing Trial Measures"), which have become effective on 31 March 2023.

According to the Overseas Listing Trial Measures, PRC domestic enterprises that directly or indirectly offer or list their securities in an overseas market shall file with the CSRC and submit relevant information. The Overseas Listing Trial Measures stipulates that the overseas issuance of shares and listing is specifically prohibited if any of the following circumstances exists: (1) the listing and financing are specifically prohibited by the PRC laws and regulations; (2) the relevant competent authorities of the State Council have determined by examination in accordance with the law that the overseas offering and listing may jeopardise national security; (3) the domestic enterprise, or its controlling shareholders or the de facto controller, has been involved in embezzlement, bribery, conversion of property, misappropriation of property or criminal offences against the socialist market economic order within the last three years; (4) the domestic enterprise is being investigated by law for suspected crimes or major violations of laws and regulations, where the opinion on the conclusion is not clear; or (5) there is a major ownership dispute over the shareholdings held by the controlling shareholders or shareholders under the domination of the controlling shareholders and/or de facto controllers. Overseas offering and listing activities of an unlisted domestic enterprise should strictly comply with foreign investment, network security, data security and other national security laws and regulations, and effectively fulfil their obligations to safeguard national security.

Our PRC Legal Adviser is of the opinion that, the abovementioned circumstances do not exist. We submitted the filing application to the CSRC on 5 June 2023 with respect to the submission of our application for the proposed Listing and Global Offering to the Stock Exchange and our filing application was formally accepted by the CSRC on 12 June 2023. Subsequently, the CSRC published the notification on our completion of the required filing procedures on 2 April 2024. As at the Latest Practicable Date, the Company

## SUMMARY

has not been prohibited from issuing shares and listing overseas and is in compliance with the provisions of the Overseas Listing Trial Measures. For further details, please refer to the paragraph headed “Regulatory Overview — Regulations on M&A and Overseas Listings” in this prospectus.

### **Impact of COVID-19 on our business operations and financial performance**

Since 2020, the outbreak of COVID-19 has materially and adversely affected the Chinese and global economies. In response to the COVID-19 pandemic, the PRC government has imposed various restrictions and measures to constrain the spread of the virus.

Due to the measures the PRC government imposed, such as restrictions on the mobility and cancellation of public activities, our operations had, to a certain extent, been impacted by delays in business activities and commercial transactions as well as general uncertainties surrounding the duration of the government-imposed extended business and travel restrictions. In order to protect our employees from the epidemic and comply with the government measures, we carried out corresponding measures such as temporary closure of our offices, remote working arrangements and business travel suspension. These measures temporarily reduced the capacity and efficiency of our operations.

In terms of revenue generation, we were positively impacted by government controls and restrictions implemented under COVID-19 as companies were driven to adopt and implement digital transformations. Consequently, there has been a continuously increasing market demand for Internet and IDC services. During the Track Record Period, our total revenue generated from IDC Solution Services amounted to RMB437.2 million, RMB538.7 million and RMB673.8 million for the years ended 31 December 2021, 2022 and 2023, respectively, primarily due to the business expansion and the continuous rise in our existing clients’ demand for our IDC Solution Services. The PRC government gradually eased restrictive measures on business and social activities in December 2022, and has re-opened the borders since January 2023. The relaxation of rules such as allowing infected people with mild or no symptoms to quarantine at home shows a strong sign of promoting economic recovery since the outbreak of COVID-19.

Our Directors are of the view that and the Sole Sponsor concurs that the outbreak of COVID-19 did not cause and/or is not expected to cause any material adverse impact on our business operations and financial performance. In relation to the details of the overall impact of the outbreak of COVID-19 on our business operation and financial performance, please refer to the paragraphs headed “Risk Factors — Risks Relating to Our Business and Industry — We face risks related to natural disasters and health epidemics in China where we operate which could significantly disrupt our operations”, “Business — Overall Impact of the Outbreak of COVID-19 on Our Business Operation” and “Financial Information — Overall Impact of the Outbreak of COVID-19 on Our Financial Performance” in this prospectus.

### **No material adverse change**

Our Directors confirmed that, as at the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 December 2023, being the latest date of our consolidated financial statements as set out in Appendix I to this prospectus, and there is no event since 31 December 2023 that would materially affect the information as set out in the Accountants’ Report in Appendix I to this prospectus.

### **SHARE SUBDIVISION**

On 9 March 2023, each of the issued and unissued shares of a nominal value of US\$0.1 in the share capital of our Company was subdivided into 10,000 Shares of a nominal value of US\$0.00001 each. As a result, the authorised share capital of our Company shall be US\$50,000 divided into 5,000,000,000 Shares of a nominal value of US\$0.00001 each.

### **LEGAL PROCEEDINGS AND NON-COMPLIANCE**

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



# SUMMARY

## OFFERING STATISTICS

	<b>Based on the Offer Price of HK\$4.6 per Offer Share</b>
Market capitalisation <sup>(1)</sup>	HK\$2,116,000,000
Unaudited pro forma adjusted net tangible assets of the Group attributable to the owners of the Company per Share <sup>(2)</sup>	HK\$0.91

*Notes:*

- (1) The calculation of market capitalisation is based on 460,000,000 Shares expected to be in issue immediately upon completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised).
- (2) The unaudited pro forma adjusted consolidated net tangible asset of our Group attributable to the owners of our Company per Share is calculated based on 460,000,000 Shares expected to be in issue immediately upon completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised). For details, please refer to the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus.

## LISTING EXPENSES

Based on the Offer Price of HK\$4.6 per Offer Share and assuming the Over-allotment Option is not exercised, the total estimated listing expenses in relation to the Global Offering is HK\$58.7 million. Among the total listing expenses, approximately HK\$54.5 million is expected to be borne by us and approximately HK\$4.2 million is expected to be borne by the Selling Shareholder. Listing expenses expected to be borne by us include the estimated underwriting-related expenses of HK\$11.7 million and non-underwriting-related expenses of HK\$42.8 million, consisting of (i) estimated fees and expenses of legal adviser(s) and Reporting Accountants of HK\$26.4 million and (ii) estimated other fees and expenses of HK\$16.4 million. During the Track Record Period, listing expenses of RMB29.3 million were incurred by us, of which RMB23.2 million were charged to our consolidated statements of comprehensive income and RMB6.1 million were recognised to our consolidated statements of financial position. We estimate that we will further incur listing expenses of RMB20.3 million of which RMB8.0 million will be charged to our consolidated statements of comprehensive income and RMB12.3 million, which mainly includes underwriting commission, is expected to be accounted for as a deduction from equity upon the completion of Capitalisation Issue and the Global Offering.

## QUALIFICATIONS FOR LISTING

Pursuant to Rule 8.05 of the Listing Rules, we must satisfy one of the three tests in relation to (i) profit; (ii) market capitalisation, revenue and cash flow; or (iii) market capitalisation and revenue requirements. We are able to satisfy the market capitalisation, revenue and cash flow test pursuant to Rule 8.05(2) of the Listing Rules based on (i) our revenue of RMB695.9 million for the year ended 31 December 2023, which is over HK\$500 million; (ii) our expected market capitalisation at the time of the Listing, which, based on the Offer Price of HK\$4.6 per Offer Share, exceeds HK\$2 billion; and (iii) our positive cash flow from operating activities of over HK\$100 million in aggregate for the three years ended 31 December 2023, as required by Rule 8.05(2) of the Listing Rules.

## SALE OF THE SALE SHARES BY THE SELLING SHAREHOLDER

The Offer Shares consist of 30,000,000 Sale Shares being sold by the Selling Shareholder, Ru Yi IT, which is one of our Controlling Shareholders, under the International Offering. Based on the Offer Price of HK\$4.6 per Offer Share, we estimate that the net proceeds to the Selling Shareholder from the sale of the Sale Shares (after deduction of proportional underwriting fees and estimated expenses payable by the Selling Shareholder in relation to the Offer Shares), will be approximately HK\$133.9 million. We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholder.

Details of the Selling Shareholder are set out in the paragraph headed “Statutory and General Information — 13. Particulars of the Selling Shareholder” in Appendix IV to this prospectus.

## SUMMARY

### FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds of HK\$336.5 million from Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering, assuming the Over-allotment Option is not exercised. In line with our strategies, we intend to use our proceeds from the Global Offering over the next three years for the purposes and in the amounts set forth below:

- Approximately 47.7%, or HK\$160.4 million of the net proceeds, will be used to invest in various technologies to improve our service quality and enhance operational efficiency;
- Approximately 18.5%, or HK\$62.3 million of the net proceeds, will be used to enhance our *Lingjing Cloud* capabilities by developing our edge computing infrastructure;
- Approximately 12.8% or HK\$43.0 million of the net proceeds, will be used to execute our recruitment plan for the components of the edge computing operation and edge cloud platform;
- Approximately 11.0%, or HK\$37.1 million will be used to develop edge computing technology and continue to integrate new technologies into our services to better serve our clients; and
- Approximately 10.0%, or HK\$33.7 million will be used for working capital and general corporate purposes.

We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholder in the Global Offering.

For details of our use of proceeds, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

### OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Sun will indirectly hold 75%, through his wholly-owned intermediary entity, namely Ru Yi IT of the issued share capital of our Company. Accordingly, Mr. Sun and Ru Yi IT will be regarded as a group of Controlling Shareholders upon Listing.

### PRE-IPO INVESTOR

In April 2023, we received one round of investment from our Pre-IPO Investor, Hainan Yunzhi. For details of the identity and background of the Pre-IPO Investor, and the principal terms of the Pre-IPO Investment, please refer to the paragraph headed “History and Reorganisation — Pre-IPO Investment” in this prospectus.

### POST-IPO RSU SCHEME

We have conditionally adopted the Post-IPO RSU Scheme. The principal terms of such Post-IPO RSU Scheme are summarised in the paragraph headed “Statutory and General Information — D. Post-IPO RSU Scheme” in Appendix IV to this prospectus.

## DEFINITIONS

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

“Accountants’ Report”	the report of the Reporting Accountants dated 5 June 2024, the text of which is set out in Appendix I to this prospectus
“Affiliate(s)”	any other persons, directly or indirectly, controlling or controlled by, or under direct or indirect common control with, such specified persons
“AFRC”	the Accounting and Financial Reporting Council
“Articles” or “Articles of Association”	the articles of association of our Company (as amended from time to time), conditionally adopted on 14 May 2024, with effect from the Listing Date, a summary of which is set out in Appendix III — “Summary of the Constitution of our Company and Company Law of the Cayman Islands” to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of directors of our Company
“Business Day(s)”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“Capital Market Intermediary(ies)” or “CMI(s)”	the capital market intermediaries participating in the Global Offering, namely SPDB International Capital Limited, CMB International Capital Limited, CLSA Limited, CEB International Capital Corporation Limited, Livermore Holdings Limited, Essence International Securities (Hong Kong) Limited, First Shanghai Securities Limited, CMBC Securities Company Limited, CCB International Capital Limited, Fosun International Securities Limited and Futu Securities International (Hong Kong) Limited

## DEFINITIONS

“Capitalisation Issue”	the issue of 374,000,000 Shares upon capitalisation of part of the share premium account of the Company, details of which are set out in the paragraph headed “Statutory and General Information — A. Further Information about Our Group — 4. Written resolutions of our Shareholder passed on 14 May 2024” in Appendix IV to this prospectus
“Cayman Companies Act”	the Companies Act (As Revised) of the Cayman Islands, as amended or supplemented or otherwise modified from time to time
“Cayman Islands”	the Cayman Islands, a British Overseas Territory
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China” or “the PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“Circular 37”	the Notice on Issues Relating to Foreign Exchange Control on Offshore Investment, Financing and Round-trip Investment by Domestic Residents Through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), issued by the SAFE on 14 July 2014
“Cloud Factory”	Jiangsu Cloud Factory Information Technology Co., Ltd. (江蘇雲工場信息技術有限公司), a limited liability company established in the PRC on 11 December 2015, which is one of our Consolidated Affiliated Entities and is held by Jiangsu Hanju and Wuxi Bangtai as to 76.1% and 23.9%, respectively
“Cloud Factory BVI”	Cloud Factory (BVI) Limited, a limited liability company incorporated under the laws of the BVI on 10 January 2022, which is a direct wholly-owned subsidiary of our Company
“Cloud Factory HK”	Cloud Factory Hong Kong Limited (雲工場香港有限公司), a private company limited by shares incorporated under the laws of Hong Kong on 19 January 2022, which is an indirect wholly-owned subsidiary of our Company
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

## DEFINITIONS

“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company” or “the Company”	Cloud Factory Technology Holdings Limited (雲工場科技控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 10 December 2021
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Affiliated Entity(ies)”	the entity(ies) we control through the Contractual Arrangements, namely, Cloud Factory and its subsidiaries, the financial results of which have been consolidated and accounted for as the subsidiaries of our Company by virtue of the Contractual Arrangements and the details of which are set out in the section headed “History and Reorganisation” in this prospectus
“Contractual Arrangements”	the series of contractual arrangements entered into between Wuxi Lingjingyun, Cloud Factory and its subsidiaries and the Registered Shareholders, details of which are described in the section headed “Contractual Arrangements” in this prospectus
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, which collectively refers to Mr. Sun and Ru Yi IT, details of which are set out in the section headed “Relationship with Controlling Shareholders” in this prospectus
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“COVID-19”	Novel Coronavirus (COVID-19) or Novel Coronavirus Pneumonia, a respiratory illness caused by a new strain of coronavirus and characterised especially by fever, cough, and shortness of breath and may progress to pneumonia and respiratory failure

## DEFINITIONS

“Deed of Indemnity”	the deed of indemnity dated 14 May 2024 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of the subsidiaries), details of which are set out in the paragraph headed “Statutory and General Information — F. Other Information — 10. Tax and other indemnity” in Appendix IV to this prospectus
“Designated Bank”	HKSCC Participant’s EIPO Designated Bank
“Director(s)”	director(s) of our Company
“EdgeAIoT Services”	a form of service which combines AIoT with Edge Computing Services
“EdgeCDN Services”	the provision of CDN services with our edge computing infrastructure
“Edge Computing Services”	a form of infrastructure and computing service distinguishable from our IDC Solution Services under the brand of <i>Lingjing Cloud (靈境雲)</i> , including the content delivery network and other functionality which has been traditionally delivered by hardware-centric appliances, enabling our clients and their customers to build, secure and deliver digital experiences, at the edge of the Internet, based upon our self-built edge computing infrastructure. Our edge computing infrastructure is self-built in the sense that the servers and specially-configured edge servers are owned, operated and deployed by our Group and housed by the infrastructure provided by our suppliers, as compared with the servers used in our IDC Solution Services being owned by our clients. Servers are considered an important element in the construction of the edge nodes. For the avoidance of doubt, in both cases of our IDC Solution Services and Edge Computing Services, the infrastructure of the data centre, including the data centre facilities to house the servers, is provided and owned by our suppliers. For details, please refer to the paragraph headed “Business — Our Business Models — The value chain, flow and business models of our Edge Computing Services” in this prospectus
“EIPO”	Electronic Initial Public Offering, a service offered by HKSCC for public offer share subscription

## DEFINITIONS

“EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), promulgated on 16 March 2007 and effective on 1 January 2008, and the Regulation on the Implementation of the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法實施條例)
“Entity List”	the trade restriction list published by the U.S. Department of Commerce’s Bureau of Industry and Security consisting of foreign persons, entities or governments
“Extreme Conditions”	any extreme conditions or events, the occurrence of which will cause interruption to the ordinary course of business operations in Hong Kong and/or that may affect the Listing Date
“FINI”	Fast Interface for New Issuance, an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new issues
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
“Frost and Sullivan Report”	an industry report prepared by Frost & Sullivan and commissioned by us, in connection with the Global Offering
“Foreign Investment Law”	the PRC Foreign Investment Law (《中華人民共和國外商投資法》), adopted by the NPC on 15 March 2019, and became effective on 1 January 2020
“General Rules of HKSCC”	the General Rules of HKSCC as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	our Company, its subsidiaries and the Consolidated Affiliated Entities from time to time or, where the context so requires, in respect of the period prior to our Company became the holding company of its present subsidiaries and Consolidated Affiliated Entities, such subsidiaries and Consolidated Affiliated Entities as if they were subsidiaries and Consolidated Affiliated Entities of our Company at the relevant time

## DEFINITIONS

“Guide”	the Guide for New Listing Applicant published by the Stock Exchange in December 2023, as amended or supplemented from time to time
“Hainan Yunzhi”	Hainan Yunzhi Huifu Venture Investment Partnership (Limited Partnership) (海南雲智匯富創業投資合夥企業(有限合夥)), a limited liability partnership established in the PRC on 9 February 2023, and is our Pre-IPO Investor and an Independent Third Party. As at the Latest Practicable Date, Hainan Yunzhi’s executive partner and general partner was Chengdu Gongtou Huifu Private Equity Fund Management Co., Ltd (成都工投匯富私募基金管理有限公司) which was ultimately controlled and owned by Ms. Yang An (楊安) as to 55.0% and Chengdu Advanced Manufacturing Industry Investment Co., Ltd. (成都先進製造產業投資有限公司) (“ADMIC”) as to 45.0%. ADMIC is wholly owned by Chengdu Industry Investment Group Co., Ltd (成都產業投資集團有限公司), which is owned by State-owned Assets Supervision and Administration Commission of Chengdu Municipal Government (成都市國有資產監督管理委員會) as to 90% and Sichuan Provincial Finance Department (四川省財政廳) as to 10%
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is a HKSCC Participant to give electronic application instructions via FINI system to apply for the Hong Kong Offer Shares on your behalf
“HKSCC Operational Procedures”	the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC’s services and the operation and functions of systems established, operated and/or otherwise provided by or through HKSCC (including FINI and CCASS), as from time to time in force
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC



## DEFINITIONS

“HKSCC Participant”	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Offer Shares”	the 11,500,000 Shares being initially offered at the Offer Price (plus brokerage, SFC transaction levies, AFRC transaction levies and Hong Kong Stock Exchange trading fees) for subscription in the Hong Kong Public Offering, subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%) on the terms and subject to the conditions described in this prospectus, as further described in the paragraph headed “Structure of the Global Offering — The Hong Kong Public Offering” in this prospectus
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the paragraph headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 3 June 2024, relating to the Hong Kong Public Offering and entered into by us, the Controlling Shareholders, the executive Directors, the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters
“ICP Licence(s)”	the value-added telecommunications business operation licence (增值電信業務經營許可證) issued by MIIT with a service scope of Internet data centre operation business, a subcategory of value-added telecommunication service under the Classification Catalogue Telecommunications Services (《電信業務分類目錄》)

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“ICT Services and Other Services”	the custom-fit ICT services and other services provided by our Group during the Track Record Period, including providing information communications technology solutions to our clients, system development and maintenance, consultation services, provision of cloud computing hardware resources, network acceleration service, text messaging service, call service and corporate mini-application development. For details, please refer to the paragraph headed “Business — Our Services” in this prospectus
“IDC(s)”	internet data centre(s)
“IDC Solution Services”	the IDC solution services provided by our Group during the Track Record Period, including the provision of colocation services and infrastructure management services. For details, please refer to the paragraph headed “Business — Our Services” in this prospectus
“IFRS”	International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
“Independent Third Party(ies)”	any individual(s) or entity(ies) who, as far as our Directors are aware, is/are not connected with our Company or our connected persons within the meaning ascribed under the Listing Rules
“Inner Mongolia”	the Inner Mongolia Autonomous Region of the PRC
“International Offer Shares”	the 103,500,000 Shares comprising 73,500,000 New Shares being initially offered by our Company for subscription and 30,000,000 Sale Shares being initially offered for sale by the Selling Shareholder under the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option, subject to reallocation

## DEFINITIONS

“International Offering”	the conditional placing of the International Offer Shares by the International Underwriters for and on behalf of our Company and the Selling Shareholder to institutional, professional, corporate and other investors in Hong Kong and elsewhere in the world outside the United States at the Offer Price, on and subject to the terms and conditions under the International Underwriting Agreement, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Sanctions”	all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the U.S. Government
“International Sanctions Legal Adviser”	Stephen Peepels, our legal adviser as to International Sanctions laws in connection with the Listing
“International Underwriters”	the underwriters of the International Offering who are expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the underwriting agreement relating to the International Offering, which is expected to be entered into by us, the Selling Shareholder, the Controlling Shareholders, the executive Directors, the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the International Underwriters on or about 12 June 2024
“Jiangsu Hanju”	Jiangsu Hanju Investment Limited (江蘇瀚舉投資有限公司), a limited liability company established in the PRC on 6 November 2017 which is wholly owned by Mr. Sun, one of our Controlling Shareholders, and our connected person
“Jiangsu Yiru”	Jiangsu Yiru Information Technology Co., Ltd. (江蘇意如信息科技有限公司), a limited liability company established in the PRC on 29 October 2013 which is one of our Consolidated Affiliated Entities and is a direct wholly-owned subsidiary of Cloud Factory

## DEFINITIONS

“Joint Bookrunners” and “Joint Lead Managers”	SPDB International Capital Limited, CMB International Capital Limited, CLSA Limited, CEB International Capital Corporation Limited, Livermore Holdings Limited, Essence International Securities (Hong Kong) Limited, First Shanghai Securities Limited, CMBC Securities Company Limited, CCB International Capital Limited, Fosun International Securities Limited and Futu Securities International (Hong Kong) Limited
“Joint Global Coordinators”	SPDB International Capital Limited, CMB International Capital Limited, and CLSA Limited
“Labour Contract Law”	the Labour Contract Law of the PRC (中華人民共和國勞動合同法), issued by the NPC on 29 June 2007, effective on 1 January 2008
“Latest Practicable Date”	27 May 2024, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“ <i>Lingjing Cloud</i> (靈境雲)”	our cloud business which offers our Edge Computing Services, launched in 2022
“Listing”	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Committee”	the listing committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or about Friday, 14 June 2024 on which the Shares are listed on the Hong Kong Stock Exchange and from which dealings in the Shares are permitted to commence on the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Lower-tier Regions Network Strategy (下沉戰略)”	our strategy to expand our Edge Computing Services into new and rural territories with emerging needs for our services
“M&A Rules”	the Regulations on Mergers and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》)

## DEFINITIONS

“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange
“Memorandum” or “Memorandum of Association”	memorandum of association of our Company adopted on 14 May 2024 with effect from the Listing Date, as amended from time to time, a summary of which is set out in the section headed “Summary of the Constitution of our Company and Company Law of the Cayman Islands” in Appendix III to this prospectus
“Memorandum and Articles of Association”	the Memorandum of Association and the Articles of Association
“MIIT”	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部)
“Model Code”	The Model Code for Securities Transactions by Directors of Listed Issuers, the text of which is set forth in Appendix C3 to the Listing Rules
“Mr. Ji”	Mr. Ji Lijun (季黎俊), an executive Director
“Mr. Jiang”	Mr. Jiang Yanqiu (蔣燕秋), an executive Director
“Mr. Sun”	Mr. Sun Tao (孫濤), the Chairman, chief executive officer and an executive Director, a Controlling Shareholder of our Company and one of the Registered Shareholders, and our connected person
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
“New Share(s)”	the new Share(s) to be initially offered by the Company for subscription under the Global Offering

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“NPC”	the National People’s Congress of the PRC (全國人民代表大會)
“Negative List (2021)” or “Foreign Investment Negative List”	the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition) (外商投資准入特別管理措施(負面清單) (2021版), most recently jointly promulgated by the MOFCOM and the NDRC on 27 December 2021, and which became effective on 1 January 2022, as amended and supplemented from time to time
“Nomination Committee”	the nomination committee of the Board
“Offer Price”	HK\$4.6 per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.00565%)
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by us pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by us to the International Underwriters, exercisable by the Overall Coordinators and the Joint Global Coordinators (on behalf of the International Underwriters and the Capital Market Intermediaries), pursuant to which we may be required to allot and issue up to an aggregate of 17,250,000 Shares at the Offer Price to, among other things, cover over-allocations in the International Offering, if any
“Overall Coordinators”	SPDB International Capital Limited and CMB International Capital Limited
“PBOC”	People’s Bank of China (中國人民銀行)
“Post-IPO RSU Scheme”	the post-IPO share award scheme conditionally approved and adopted by our Company on 14 May 2024, the principal terms of which are set out in the paragraph headed “Statutory and General Information — D. Post-IPO RSU Scheme” in Appendix IV to this prospectus

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“PRC government” or “State”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“PRC Legal Adviser”	Zhong Lun Law Firm, our legal adviser as to PRC laws
“Pre-IPO Investment”	the transactions as further described in the paragraph headed “History and Reorganisation — Pre-IPO Investments” in this prospectus
“Pre-IPO Investor”	Hainan Yunzhi, further details of which are described in the paragraph headed “History and Reorganisation — Pre-IPO Investments — Information about Our Pre-IPO Investor” in this prospectus
“Registered Shareholders”	the registered shareholders of Cloud Factory, collectively, Mr. Sun, Wuxi Bangtai and Jiangsu Hanju
“Regulation S”	Regulation S under the U.S. Securities Act
“Relevant Persons”	the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or the Company’s respective directors, officers or representatives or any other parties involved in the Global Offering
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the reorganisation of our Group in preparation for the Listing, details of which are set out in the paragraph headed “History and Reorganisation — Our Reorganisation” in this prospectus
“Reporting Accountants”	Ernst & Young
“RMB”	Renminbi, the lawful currency of the PRC
“Ru Yi IT”	Ru Yi Information Technology Co., LTD, a business company incorporated in the BVI on 5 November 2021, which is wholly-owned by Mr. Sun, one of our Controlling Shareholders and the Selling Shareholder
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)

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“SAIC”	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), currently known as the SAMR
“Sale Shares”	the 30,000,000 Offer Shares offered for sale by the Selling Shareholder under the International Offering, subject to adjustment and reallocation as described in the section headed “Structure of the Global Offering — The International Offering” in this prospectus
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), formerly known as the SAIC
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“Selling Shareholder”	Ru Yi IT, in the capacity of the seller of the Sale Shares for sale under the International Offering, the particulars of which are set out in the paragraph headed “Statutory and General Information — F. Other information — 13. Particulars of the Selling Shareholder” in Appendix IV to this prospectus
“SCNPC”	the Standing Committee of the National People’s Congress of the PRC (中華人民共和國全國人民代表大會常務委員會)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shandong Dianya”	Shandong Dianya Information Technology Co., Ltd. (山東典雅信息科技有限公司), a limited liability company established in the PRC on 20 July 2018 which is one of our Consolidated Affiliated Entities and is a direct wholly-owned subsidiary of Cloud Factory
“Shanghai Xiaojiang”	Shanghai Xiaojiang Information Technology Co., Ltd. (上海驍江信息技術有限公司), a limited liability company established in the PRC on 26 April 2021 which is a direct wholly-owned subsidiary of Wuxi Lingjingyun



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“Share(s)”	ordinary share(s) in the share capital of our Company with nominal value of US\$0.00001 each
“Shareholder(s)”	holder(s) of Shares
“Sole Sponsor” and “Sponsor-Overall Coordinator”	SPDB International Capital Limited
“Sole Sponsor’s PRC Legal Adviser”	King & Wood Mallesons, the legal adviser to the Sole Sponsor as to PRC law
“Specific PRC Legal Adviser”	Beijing Dacheng Law Offices, LLP, our legal adviser as to specific issue under PRC law
“STA”	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
“Stabilisation Manager”	SPDB International Securities Limited
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into on or about 12 June 2024 between the Stabilisation Manager (or its affiliates acting on its behalf) and Ru Yi IT, pursuant to which Ru Yi IT will agree to lend up to 17,250,000 Shares to the Stabilisation Manager on terms set forth therein
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance, and shall also include our Consolidated Affiliated Entities unless the context requires otherwise
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the three years ended 31 December 2023
“treasury shares”	has the meaning ascribed to it under the Listing Rules
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States”	the United States of America

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“U.S. dollars” or “US\$”	U.S. dollars, the lawful currency of the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
“VATS”	value-added telecommunication services
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the White Form eIPO Service Provider at <a href="http://www.eipo.com.hk">www.eipo.com.hk</a>
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“WTO”	World Trade Organization
“Wuxi Bangtai”	Wuxi Bangtai Enterprise Management Consulting Limited Partnership Company (無錫邦泰企業管理諮詢合夥企業(有限合夥)), a limited partnership company established in the PRC on 9 October 2019, which is owned by Mr. Sun, one of our Controlling Shareholders, and Jiangsu Hanju as to 49% and 51%, respectively, and our connected person
“Wuxi Lingjingyun”	Wuxi Lingjingyun Information Technology Co., Ltd. (無錫靈境雲信息技術有限公司), a limited liability company established in the PRC on 17 May 2022 and an indirect subsidiary of our Company, held by Cloud Factory HK and Hainan Yunzhi as to 98.74% and 1.26%, respectively
“Wuxi Xiankai”	Wuxi Xiankai Information Technology Co., Ltd. (無錫市顯凱信息技術有限公司), a limited liability company established in the PRC on 22 May 2020, which is a direct wholly-owned subsidiary of Wuxi Lingjingyun
“Wuxi Yunwang”	Wuxi Yunwang Industrial Investment Limited Partnership Company (無錫雲網實業投資合夥企業(有限合夥)), formerly known as Wuxi Yunwang Investment Limited Partnership Company (無錫雲網投資企業(有限合夥)), a limited partnership company established in the PRC on 24 November 2015, owned by a group of individual Independent Third Parties, and was deregistered on 2 March 2020

## DEFINITIONS

“Yun Ruitian”	Qingdao Yun Ruitian Information Technology Limited (青島雲睿天信息技術有限公司), a limited liability company established in the PRC on 29 January 2016 which is one of our Consolidated Affiliated Entities and is an indirect wholly-owned subsidiary of Cloud Factory
“%”	per cent

In this prospectus, the terms “associate,” “connected person,” “connected transaction,” “controlling shareholder,” “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

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

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

## GLOSSARY

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

“5G”	the fifth generation of broadband cellular network technology standards, that conforms to various International Mobile Telecommunication Specifications, which is standard for mobile telecommunications defined by the International Telecommunication Union
“AI” or “Artificial Intelligence”	artificial intelligent, an area of computer science that focuses on mimicking human intelligence by machines
“AI computing equipment”	technological devices designed and optimised for artificial intelligence applications, which are equipped with specialised AI chips or processors that are capable of handling the complex computational requirements of AI algorithms and applications
“AI Large Model Training”	a learning process in which vast amount of data are fed to a prototype large model consisting of algorithms for it to continuously refine its algorithms and automatically enhance itself for swiftly producing accurate responses to relevant queries, such that the model would be trained for its specific application under unique context
“AIoT”	artificial intelligence of things, the combination of the connectivity from the IoT infrastructure with data-driven knowledge obtained from AI to achieve more efficient IoT operations, improve human-machine interactions and enhance data management and analytics
“Android”	a mobile operating system developed and maintained by Google LLC. used in smartphones and tablets
“augmented reality”	technology that overlays digital content and information onto the physical world
“Back-to-source rate”	the rate at which users have to request information from the source of the origin instead of the edge node due to the lack of cache at the edge node

## GLOSSARY

“BMS”	bare-metal servers, a form of cloud services in which the user uses a physical machine from a provider that is used by one user or tenant only, and they provide strong isolation, efficiency, security and flexibility compared to traditional cloud servers
“CAGR”	compound annual growth rate
“cabinet(s)”	a cabinet integrating power and connectivity systems, servers, switches routers, other telecommunications equipment and other ancillary equipment can be installed
“cabinet usage(s)”	the cabinets, for accommodating the servers provided by our clients, that are actually procured in connection with the bandwidth procurement by our client
“cache”	a hardware or software component that stores data so future requests for the same data can be served faster
“cache hit rate(s)”	the percentage of requests for data that can be served by the cache, rather than having to be retrieved from the origin server
“carrier-neutral data centre”	Data centre that is independent of network providers to offer access to multiple network service carriers which allow end-users to enjoy the flexibility and redundancy of having access to more than one carrier
“carrier-neutral service providers”	Service providers which operate carrier-neutral data centre
“CDN” or “content delivery network”	a distributed network of servers that can efficiently deliver web content to users
“ChatGPT”	an artificial intelligence (AI) chatbot developed by OpenAI and released in November 2022, which is built on top of OpenAI’s GPT-3.5 and GPT-4 foundational large language models (LLMs) and has been fine-tuned (an approach to transfer learning) using both supervised and reinforcement learning techniques
“cloud”	applications, services or resources made available to users on demand via the Internet from a cloud server with access to shared pools of configurable resources

## GLOSSARY

“cloud server”	a physical or virtual infrastructure that performs application and information processing storage.
“Edge Computing Community”	the Edge Computing Community of the PRC, a leading self-media community established in March 2018 that principally engaged in the provision of an integrated service platform in the edge computing sector of the PRC for venture capital investment, exhibition and meetings, market research and media communication
“DDoS attack(s)”	distributed denial-of-service attack, a cyberattack in which the perpetrator seeks to make a machine or network resource unavailable to its intended users by temporarily or indefinitely disrupting services of a host connected to the Internet
“DDoS solution”	the abbreviation of “distributed denial-of-service solution”, a solution against DDoS attacks. The nature of CDN is to decentralise the content origins, increasing the number of targets to be attacked and thus increasing the cost of disrupting services of hosts connected to the Internet
“DNS”	domain name server
“Edge node deployment”	determining which of our edge nodes is the most suitable for processing an user’s request by taking into account, among others, their workload, availability and distance to the user, followed by directing the user’s request to such edge node. An accurate deployment of edge nodes can shorten the processing time for delivering the information to the users
“Gbps”	Gigabits per second, which means billions of bits per second and is a measure of bandwidth on a digital data transmission medium such as optical fiber
“HTTP”	HyperText Transfer Protocol, the data exchange protocol used for the world wide web. HTTP allows for the transfer of multimedia and hyperlinked data
“ICT”	information and communication technology, which refers to all devices, networking components, applications and systems that combined to enable people and organisations to interact in the digital world and capture transmit and display data and information electronically

## GLOSSARY

“IDC solution service market”	the market of carrier-neutral service providers (including both self-built and non-self-built data centres)
“internet” or “the Internet”	an interconnected system of networks that connects compute around the world and is publicly accessible
“Internet data centre business market”	the market of both carrier-operated service providers and carrier-neutral service providers
“Internet of Things” or “IoT”	the networked interconnection of everyday objects, generally viewed as a self-configuring wireless network of sensor whose purpose would be to interconnect all things. The concept is that if all objects of daily life are equipped with radio tags, they can be identified and managed by Computers in the same way humans can. The Internet of Things should encode 50 to 100 trillion objects and follow the movement of those objects
“Internet Society of China”	a nonprofit social organisation founded in Beijing on 25 May 2001 mainly for fostering the development of the Internet industry of the PRC. It has over 1,300 members which consists of individuals such as renowned experts or distinguished scholars and organisations including Internet companies, network access carriers, Internet service providers, facility manufacturers and research institutes
“iOS”	a mobile operating system developed by Apple Inc. exclusively for its devices
“IP address”	internet protocol address, an identifier assigned to each computer and other device to a network that is used to locate and identity the node in communications with other nodes on the network
“ISO”	International Organisation for Standardisation
“ISO 20000”	ISO standards for information technology service management, which are primarily concerned with the management of service lifecycle, including planning, design, transition, delivery and improvement of services
“ISO 27001”	ISO standards for information security management system, which are primarily concerned with what an organisation does to ensure confidentiality integrity and availability of information to it



## GLOSSARY

“Metaverse”	the convergence of physical, augmented, and virtual reality in a shared online space
“MW”	Megawatt, a unit of power. 1MW = 1,000 kW
“MWh”	Megawatt-hour, a unit of power. 1 MWh = 1,000 kWh
“packet loss”	the situation where one or more packets of data travelling across a computer network fail to reach their destination
“sq.m.”	square metres
“Web 3.0 market”	the next generation of the Internet that is being developed to provide a more intelligent, connected and decentralised web experience. While Web 1.0 was the era of static web pages and Web 2.0 was the era of user-generated content and social media, Web 3.0 is expected to be the era of decentralised applications (dApps), blockchain technology, and data interoperability
“Wuxi Big Data Association”	a social organisation founded in Wuxi on 12 April 2019 which is devoted to serve the technology industry, the society and the government of PRC with promotion of technology development by gathering talents to facilitate academic collaborations

## FORWARD-LOOKING STATEMENTS

### **FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS ARE SUBJECT TO RISKS AND UNCERTAINTIES**

This prospectus contains forward-looking statements relating to our plans, objectives, expectations, predictions, intentions and beliefs, which may not represent our overall performance for the periods of time to which such statements relate. Such statements reflect the current views of our management with respect to future events, operations, liquidity, and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties, and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties faced by the Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

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

The words "aim," "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "going forward," "intend," "ought to," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "will," "would", or similar expressions or the negative thereof, as they relate to us, are intended to identify a number of forward-looking statements. In particular, we use these forward-looking statements in the sections headed "Business" and

## **FORWARD-LOOKING STATEMENTS**

“Financial Information” in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These forward-looking statements are based on current plans and estimates and speak only as at the date they were made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements and should one or more of these risks or uncertainties materialise, or should the underlying assumptions prove to be incorrect, our business, financial conditions and results of operations may be materially and adversely affected.

Our Directors confirm that the forward-looking statements are made after reasonable care and due consideration. Nonetheless, due to the 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 by reference to this cautionary statement.

## RISK FACTORS

*You should carefully consider all of the information set out in this prospectus before making an investment in the Shares, including the risks and uncertainties described below in respect of our business and our industry and the Global Offering. You should pay particular attention to the fact that we are a company incorporated in the Cayman Islands and that our principal operations are conducted in China and are governed by a legal and regulatory environment that in some respects differs from what prevails in other countries. Our business could be affected materially and adversely by any of these risks.*

### RISKS RELATING TO OUR BUSINESS AND INDUSTRY

#### **A slowdown in the demand for our IDC Solution Services could have a material adverse effect on us.**

Adverse developments in the IDC solution service market, in the industries in which our clients operate, or in demand for cloud computing services could lead to a decrease in the demand for our IDC Solution Services, which could have a material adverse effect on us. We face risks including:

- a decline in the technology industry, such as a decrease in the use of mobile or web-based commerce and electronic commerce (“**e-commerce**”), business layoffs or downsizing, relocation of businesses, increased costs of complying with existing or new government regulations and other factors;
- a reduction in cloud adoption or a slowdown in the growth of the internet generally as a medium for commerce and communication and the use of cloud-based platforms and services in particular; and
- a downturn in the market for data centre capacity generally, which could be caused by an oversupply of or reduced demand for space, and a downturn in cloud-based data centre demand in particular.

To the extent that any of these or other adverse conditions occur, they are likely to impact market demand and pricing for our services.

There is a positive correlation between the market of e-commerce and the magnitude of cloud adoption on one hand and the IDC solution service market on the other hand:

- E-commerce and IDC solution service market in the PRC are closely linked due to the essential role that IDCs play in supporting the growth and functionality of e-commerce platforms. E-commerce platforms generate vast amounts of data from user accounts, transactions, product listings, and consumer behavior. IDCs provide the necessary infrastructure for storing, managing, and processing this data, ensuring the smooth operation of e-commerce platforms. As e-commerce continues to grow rapidly in the PRC, the demand for scalable and reliable infrastructure increases. If the gross

## RISK FACTORS

merchandise value of e-commerce in the PRC decreases by 10% due to economic slowdown, the market size of the IDC solution service market in the PRC might record the drop by more than 5%.

- Cloud adoption has a significant impact on the demand for IDC solution service market in the PRC. As cloud computing continues to gain popularity, organisations and individuals are increasingly relying on cloud-based services to store, process, and access their data. This trend has led to a surge in demand for IDC, which provides the necessary infrastructure for cloud service providers. Cloud adoption necessitates additional IDC capacity to accommodate the growing demand. As cloud adoption increases, the need for distributed IDCs across various regions of the PRC becomes more pronounced. If the market size of cloud computing in the PRC decreases by 10% due to economic slowdown, the market size of the IDC solution service market in the PRC might record the drop by more than 5%.

**Our strategy to offer clients with competitive prices under this highly competitive market could result in lower profit margins.**

The IDC solution and edge computing market are highly competitive. We face competition in several areas, including price, quality of services, breadth and flexibility of services, capacity and customer relationships. We expect increased competition as new entrants enter into this expanding market with new services at lower prices or with improved technical know-how. In the event that our competitors offer less expensive alternatives to our services, or engage in aggressive pricing in order to increase their market share, we could lose our potential and existing customers to our competitors, and our business, financial condition and results of operations could be adversely affected.

It is our strategy to offer clients with competitive prices to expand our market presence. However, such business strategy could lead to, among other things, less favourable terms in agreements or arrangements with customers, which could have an adverse impact on our business, financial condition and results of operations and lower our profit margins. During the Track Record Period, we recorded a fluctuation in the gross profit margin of our IDC Solution Services from 11.5% for the year ended 31 December 2021 to 12.4% for the year ended 31 December 2022 and subsequently to 11.9% for the year ended 31 December 2023. There is no assurance that we will be able to compete effectively with existing competitors or new competitors or that the increased level of competition will not adversely affect our business, financial condition and results of operations.

## RISK FACTORS

### **Fluctuation in bandwidth cost may materially and adversely affect our profitability.**

Our suppliers increased the bandwidth charge to us for the year ended 31 December 2021. Since our contract with clients are renewed at least on a yearly basis, the rise in bandwidth rate to be charged to our clients will only be reflected upon next contract renewal, exhibiting a delay in cost pass-through. For example, Qingdao branch of Supplier A raised bandwidth charge by 9.1% which took effect in 2021. While our Group attempted to negotiate with our clients for a corresponding increase in charge, not all attempts were successful. Client B and Client H agreed to have the increase in bandwidth charge in part of their engagements by approximately 6.3% to 14.3%, taking effect either within the same year or upon the annual renewal of their colocation and infrastructure management service agreements in the following year. While we proactively discussed with our clients in an attempt to transfer the cost increase to them, some attempts were unsuccessful. In this example, the delay and the unsuccessful attempts of cost pass-through represented approximately 1% decrease in our gross profit margin in 2021. While we proactively discussed with our clients in an attempt to transfer the cost increase to them, some attempts were unsuccessful.

Bandwidth cost constitutes the largest component of our cost of sales and was subject to suppliers' determination on a yearly basis upon expiry and renewal of data centre business agreements. Since we may not necessarily be able to transfer all of the increased bandwidth cost to our clients, our profitability may be materially and adversely affected if the bandwidth cost increases significantly. As we are unable to predict the fluctuation of bandwidth cost, we may not be able to adjust our business model in a timely manner or at all, thus affecting our business and results of operation.

### **It may be difficult for investors to evaluate our business and our prospects due to the Group's limited operating history in Edge Computing Services segment.**

Our Edge Computing Services was launched and started to realise revenue in 2022 and it is still in its initial stage of market development with limited track record. In addition, we intend to include BMS to expand our business offerings under the Edge Computing Services segment but we do not have adequate data of the operational cost in connection therewith. Although we adopted BMS in providing Edge Computing Services to Client J in the year ended 31 December 2022, we did not actually incur any leasing cost of the relevant BMS as we received a free trial offer from the Weifang branch of Supplier A. For details, please refer to the paragraph headed "Financial Information — Description of Major Components of our Results of Operations — Revenue — Edge Computing Services" in this prospectus. Furthermore, we acquired certain BMS in the first half 2023 to cater for our client's demands in Hohhot and Haidong which only involved a relatively small volume of bandwidth usage for the said period. As a result of, among other things, the Group's limited control of product pricing, the lack of sufficiently long track records for its newly launched service and the lack of data in relation to the operational cost of BMS, the historical growth rate and profit of our Edge Computing Services segment may not be indicative of our future performance. As we plan to continue to expand our business under the Edge Computing Services segment, we cannot assure you that we will be able to achieve similar results or grow at the same

## RISK FACTORS

rate as we did in the past, or at all. You should consider our prospects in light of the risks, competition and uncertainties that a fast-growing company in the e-commerce industry with a limited track record of profitability may encounter.

**Any inability to manage the growth of our operations could disrupt our business and reduce our profitability.**

We have experienced continual growth in recent years. Our revenue grew from RMB464.3 million for the year ended 31 December 2021 to RMB548.8 million for the year ended 31 December 2022, representing an increase of 18.2%, and increased further to RMB695.9 million for the year ended 31 December 2023, representing an increase of 26.8%.

Our operations have also expanded in recent years through increases in the number and size of the data centre facilities we cover and manage, which we expect will continue to grow. Our rapid growth has placed, and will continue to place, significant demands on our management and our administrative, operational, and financial systems. Continued expansion increases the challenges we face in:

- managing a large and growing client base with increasingly diverse requirements;
- expanding our service portfolio to cover a wider range of services, including Edge Computing Services;
- creating and capitalising on economies of scale;
- being exposed to protectionist or national security policies that restrict our ability to invest in or acquire companies or develop, import or export certain technologies;
- obtaining additional capital to meet our future capital needs;
- recruiting, training and retaining a sufficient number of skilled technical, sales and management personnel;
- maintaining effective oversight over personnel and multiple data centre locations;
- coordinating work among sites and project teams; and
- developing and improving our internal systems, particularly for managing our continually expanding business operations.

If we fail to manage the growth of our operations effectively, our businesses and prospects may be materially and adversely affected.



## RISK FACTORS

**Our ability to provide IDC Solution Services depends on the major telecommunications carriers in China providing sufficient network services to our clients in the data centre facilities that we operate on commercially acceptable terms.**

During the Track Record Period, Supplier A was one of our major suppliers and one of our clients. To the best knowledge and belief of our Directors, Supplier A is an Independent Third Party.

During the Track Record Period, our Group sourced data centre resources, namely server rack space and bandwidth, from Supplier A. For the years ended 31 December 2021, 2022 and 2023, Supplier A charged us RMB271.6 million, RMB264.9 million and RMB177.6 million, which accounted for 66.6%, 55.2% and 29.2% of our total cost of sales, respectively. For details of Supplier A, please refer to the paragraph headed “Business — Our Suppliers” in this prospectus.

Our ability to provide IDC Solution Services depends on the major telecommunications carriers in China providing sufficient network connectivity and capacity which enable our clients to transfer data to and from equipment located in the data centre facilities that we operate. Furthermore, given the limited competition among basic service providers in the telecommunications market in China, we depend on the dominant carrier in each location to provide such services to our clients on commercially acceptable terms. Although we believe we have maintained good relationships with them in the past, there can be no assurance that they will continue to provide the network services that our clients require on commercially acceptable terms at each of the data centres where we operate, if at all. In addition, if any of them increases the price of their network services, it would have a negative impact on the overall cost-effectiveness of data centre services in China, which could cause our clients’ demand for our services to decline and would materially and adversely affect our business and results of operations.

**If we are not successful in expanding our service offerings, we may not achieve our financial goals and our results of operations may be adversely affected.**

We have been expanding, and plan to continue to expand, the nature and scope of our service offerings, particularly into the area of Edge Computing Services. The success of our expanded service offerings depends, in part, upon demand for such services by new and existing clients and our ability to meet their demand in a cost-effective manner. We may face a number of challenges in expanding our service offerings, including:

- acquiring or developing the necessary expertise;
- maintaining high-quality control and process execution standards;
- maintaining productivity levels and implementing necessary process improvements;
- controlling costs; and
- successfully attracting existing and new clients for new services we develop.

## RISK FACTORS

A failure by us to effectively manage the growth of our service portfolio could damage our reputation, cause us to lose business and adversely affect our results of operations. In addition, because content delivery network operation may require significant upfront investment, we expect that continued expansion into these services will reduce our profit margins. In the event that we are unable to successfully grow our service portfolio, we could lose our competitive edge in providing our existing colocation and managed services, since significant time and resources that are devoted to such growth could have been utilised instead to improve and expand our existing IDC Solution Services.

In the future, advances in technology, increases in traffic and storage, and new client requirements may require us to change our capacity or expand our capacity. Scaling and adapting our capacity is likely to be complex and require additional technical expertise and data centre resources. If we are required to make any changes to our infrastructure, we may incur substantial costs and experience delays or interruptions in our service. These delays or interruptions may cause clients to become dissatisfied with our service and move to competing providers of online publishing or distribution services. Our failure to accommodate increased traffic and storage, increased costs, inefficiencies or failures to adapt to new technologies or client requirements and the associated adjustments to our infrastructure could harm our business, financial condition and results of operations.

**There could be a negative impact on our operation and financial performance in the event that suppliers other than Supplier A offer less favourable terms to the Company.**

During the Track Record Period, Supplier A had been our largest supplier and we mainly procured IDC resources from them for the provision of our services to clients. Since our first cooperation with Supplier A in 2016, where they were in need of flexible and extensive IDC solution service providers to distribute their IDC resources more efficiently and we seized the opportunities to establish a long-standing business relationship with them, we have become one of the most important ecosystem partners of Supplier A in terms of transaction amount in the area of data centre operation in Shandong Province and Inner Mongolia. In view of the concentration risk, we have engaged other state-owned telecommunication carriers as well as small-and-medium data centres owners and operators as our supplementary suppliers during the Track Record Period for the procurement of IDC resources in order to diversify our source of procurement. As a result, while Supplier A remained our largest supplier in each of the years ended 31 December 2021, 2022 and 2023, we recorded a decrease in the proportion of the procurement cost attributable to Supplier A as compared with our total cost of sales, namely 66.6%, 55.2% and 29.2% in the respective years. However, we cannot assure you that the terms offered by suppliers other than Supplier A would be more favourable than or at least as favourable as those offered by Supplier A, including but not limited to the price of the resources and the payment terms in connection therewith. If those suppliers ultimately offer less favourable terms to us and, after due consideration, we have to engage those suppliers with a view to mitigate the concentration risk mentioned above, our business operation and financial performance may be materially and adversely affected.

## RISK FACTORS

**If we fail to adapt and respond effectively to rapidly changing technology, evolving industry standards, changing regulations, and changing client needs, requirements, or preferences, our products may become less competitive.**

The edge computing service market in which we compete is relatively new and subject to rapid technological change, evolving industry standards and regulatory changes, as well as changing client needs, requirements, and preferences. The success of our business will depend on our ability to adapt and respond effectively to these changes on a timely basis. If we are unable to develop and offer new services or products that satisfy our clients and provide enhancements, new features, and capabilities to our services that keep pace with rapid technological and industry range, our revenue and operating results could be adversely affected. If new technologies emerge that enable our competitors to deliver competitive products and services at lower prices, more efficiently, more conveniently, or more securely, such technologies could adversely impact on our ability to compete.

**Any significant or prolonged failure in the data centre facilities covered in our operation or services we provide would lead to significant costs and disruptions and would reduce our net revenue, harm our business reputation and have a material adverse effect on our results of operation.**

Our managed data centre facilities are subject to failure. Any significant or prolonged failure in our managed data centre facility or services that we provide, including a breakdown in critical plant, equipment or services, such as the cooling equipment, generators, backup batteries, routers, switches, or other equipment, power supplies, or network connectivity, whether or not within our control, could result in service interruptions and data losses for our clients as well as equipment damage, which could significantly disrupt the normal business operations of our clients and harm our reputation and reduce our net revenue. Especially, as we are not data centre operators and do not own or operate any data centres, the conditions and operation of data centres are largely out of our control. Any failure or downtime in one of the data centre facilities that we manage could affect many of our clients. The total destruction or severe impairment of any of the data centre facilities we operate could result in significant downtime of our services and catastrophic loss of client data. Since our ability to attract and retain clients depends on our ability to provide highly reliable service, even minor interruptions in our service could harm our reputation and cause us to incur financial penalties. The services we provide are subject to failures resulting from numerous factors, including but not limited to power loss; equipment failure; human error or accidents; theft, sabotage and vandalism; failure by us or our suppliers to provide adequate service or maintenance to our equipment; network connectivity downtime and fiber cuts; security breaches to infrastructure; physical, electronic and cyber security breaches; fires and fire hazards, earthquake, hurricane, tornado, flood and other natural disasters; extreme temperatures; water damage; public health emergencies; and terrorism.

## RISK FACTORS

We and our suppliers may in the future experience, interruptions in service due to power outages or other technical failures or for reasons outside of our control, including a service interruption that causes system downtime to certain our clients. These interruptions in service, regardless of whether they result in breaches of the service level agreements we have with clients, may negatively affect our relationships with clients, including resulting in clients terminating their agreements with us or seeking damages from us or other compensatory actions. In response to such interruptions in service, industry regulators have taken, and may in the future take, various regulatory actions, including notifications or citations to our clients, over which they have oversight. Such regulatory actions with respect to our clients could negatively impact our relationships with such clients, lead to audits of our services, inspections of our facilities, place restrictions or prohibitions upon the ability of such institutions to use our services, and thereby negatively affect our business operations and results of operations. We have taken and will continue to take steps to implement rigorous operational procedures for maintenance programs to manage risk. However, we cannot assure you that such interruptions in service will not occur in the future, or that such incidents will not result in the loss of clients and revenue, our paying compensation to clients, reputational damage to us, penalties or fines against us, and would not have a material and adverse effect on our business and results of operations. Service interruptions will continue to be a significant risk for us and could affect our reputation, damage our relationships with clients and materially and adversely affect our business.

Our data centre providers carry out on-site security service relating to our managed data centre facilities on 365/24/7 basis. Our data centre resource suppliers may fail to provide satisfactory security services, resulting in inappropriate access to our facilities or IT faults which, though non-critical, may cause poor service quality to clients.

As our services are critical to many of our clients' business operations, any significant disruption in our services could result in losing profits or other indirect or consequential damages to our clients. Although our client agreements typically contain provisions attempting to specify the formula of our liability for breach of the agreement, there can be no assurance that a court would enforce any contractual limitations on our liability in the event that one of our clients brings a lawsuit against us as the result of a service interruption that they may ascribe to us. The outcome of any such lawsuit would depend on the specific facts of the case and any legal and policy considerations that we may not be able to mitigate. In such cases, we would be liable for substantial damage awards. Since we do not carry liability insurance coverage, such damage awards could seriously impair our financial condition.

Although, as stipulated in the colocation and infrastructure management service agreement with our clients, we guarantee our client 99.99% uptime for power and 99.90% uptime for Internet connectivity, and such guaranteed performance was provided on a back-to-back basis of the same guaranteed performance clauses stipulated in the data centre business agreement with our suppliers, we cannot assure you that our suppliers will always comply with such terms in the data centre business agreement or will be willing to offer compensation as promised. Any material failure of such guaranteed performances could adversely affect our recognition in the IDC solution service market, which in turn could have a material and adverse effect on our reputation, our business, financial condition and growth prospects.

## RISK FACTORS

**Our operations are dependent on the success of our infrastructure management service and any security breaches relevant to the management of data centre infrastructure may harm our business.**

Although our business does not have access to clients' and their customers' data and content, our operations are still dependent upon the successful and uninterrupted functioning of our managed data centre infrastructure. Our infrastructure management services include server racking, data centre management services, server monitoring, server load balancing service, emergency reporting, network management and server middleware services, server security service, data backup, business continuity and disaster recovery services, system security services and so on. Our Edge Computing Services, which rely on our self-built *Lingjing Cloud* infrastructure, are also prone to security attacks. Any security breach on the data centre infrastructure we manage and our self-built *Lingjing Cloud* infrastructure may cause an adverse impact on our clients and in turn on our business.

Our operational safeguards may not be effective in preventing the failures of the security of data centre infrastructure in order to operate our business effectively and continuously, especially when the data centre infrastructure is not owned by us. In addition, even though our *Lingjing Cloud* infrastructure is designed to reduce the risk of concentrated security attacks by delivering content through hundreds of servers distributed at various points around the Internet, it is still susceptible to security attacks on our edge nodes. We cannot assure that we will resolve these failures and restore the systems in a timely manner if our suppliers do not effectively cooperate with us.

We will continue to upgrade and improve our infrastructure management service and our *Lingjing Cloud* infrastructure system to support our business growth and minimise the risk of security breaches. However, we cannot assure that we will be successful in improvement strategies and the foregoing risks could be intensified while we execute those improvements. If we are unsuccessful in improving the security of our systems, our ability to increase bandwidth usage, improve operations, implement cost controls and grow our business may be constrained.

**Our Group's managed data centres are subject to certain concentration risks regarding their locations in the PRC and a significant disruption to any location could materially and adversely affect our operations.**

During the Track Record Period, we generate significant revenue from our managed data centres located in Qingdao, Hohhot, Shanghai, Weifang, Beijing and Jinan and a significant disruption to any single location could materially and adversely affect our operations. The occurrence of a catastrophic event, or a prolonged disruption of operation in any of these locations, could materially and adversely affect our operations.

In the event that our suppliers fail to negotiate with the local authorities for an extension of the licence and/or permit in operating any data centre in any of the above locations or refuse to provide data centre resources to us in any of the above locations, we may then be forced to manage other data centres to a different or less desirable location. This could disrupt our operations and

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adversely affect our profitability. In addition, we may not be able to obtain a new licence and/or permit at other desirable locations to accommodate our future growth, which could materially and adversely affect the expansion of our business.

**If we are not able to implement our expansion plans, our results of operations, financial condition and prospects could be materially and adversely affect.**

As we intend to expand our scale of Edge Computing Services, we expect ourselves to continue to invest in servers for the edge computing infrastructure and the recruitment of professional and technical staff. In addition, to maintain our competitiveness, we may also need to update our hardware and equipment from time to time. Our expansion plans may involve various risks such as uncertainties relating to market demands, and we cannot guarantee that our expansion plans will be carried out without failure or delay, nor can we provide assurance that the demand for our services will increase in line with the increase in our service capacity in the future. If we cannot recoup the increased costs for the expansion, our business, results of operation and financial condition could be materially and adversely affected. The implementation of our expansion plans requires us to commit significant resources including:

- significant expenditures for the purchase and installation of bare-metal services in various locations where our IDC Solution Services operate;
- cost to enhance our *Lingjing Cloud* capabilities by developing our edge computing infrastructure;
- execution of our recruitment plan for the components of the edge computing operation and edge cloud platform; and
- cooperation with third-party research institutes for research and development.

We may not be able to meet all the above requirements for expansion and technology development. In particular, we may not be able to secure sufficient financing to fund the expenditures required for the purchase and installation of the essential hardware for the construction of edge computing infrastructure. We cannot assure you that we will always be able to obtain the financing required to fund such expenditures for the implementation of our expansion plans within the prescribed timeframe, or at all. In addition, if the growth of our business is slower than we expected, over-expansion may result in lower operational efficiency, which may have significant adverse impact on our gross profit margin.

**Our success depends to a substantial degree upon our senior management, including Mr. Sun, and key personnel, and our business operations may be negatively affected if we fail to attract and retain highly competent senior management.**

We depend to a significant degree on the continuous service of Mr. Sun, our founder, chairman and chief executive officer, and our experienced senior management team and other key personnel such as project managers and other middle management. If one or more members of our senior management team or key personnel resigns, it could disrupt our business operations and

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create uncertainty as we search for and integrate a replacement. If any member of our senior management leaves us to join a competitor or to form a competing company, any resulting loss of existing or potential clients to any such competitor could have a material adverse effect on our business, financial condition and results of operations. Additionally, there could be unauthorised disclosure or use of our technical knowledge, practices or procedures by such personnel. We have entered into employment agreements with our senior management and key personnel. We have also entered into confidentiality agreements with our personnel which contain nondisclosure covenants that survive indefinitely as to our trade secrets. Additionally, pursuant to these confidentiality agreements, any inventions and creations of our employees relating to the Company's business that are completed within twelve months after termination of employment shall be transferred to the Company without payment of consideration, and the employees shall assist the Company in applying for corresponding patents or other rights. However, these employment agreements do not ensure the continued service of these senior management and key personnel, and we may not be able to enforce the confidentiality agreements we have with our personnel. In addition, we do not maintain key man life insurance for any of the senior members of our management team or our key personnel.

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

We face various risks in connection with our business and may lack adequate insurance coverage or have no relevant insurance coverage. Further, insurance companies in China do not currently offer as extensive an array of insurance products as insurance companies in other more developed economies. As at the Latest Practicable Date, we had not had any business liability or disruption insurance to cover our operations. We have determined that the costs of insuring against these risks, and the difficulties associated with acquiring such insurances on commercially reasonable terms render these insurances, is impractical for our business and purposes. However, any uninsured business disruptions may have an adverse effect on our business and results of operations. We also make social insurance and housing provident fund contributions for our employees. During the Track Record Period, our certain PRC subsidiaries had not contributed towards a social insurance and housing provident fund based on employees' average monthly salary of the previous year. If the relevant authorities determine that we have to make supplemental social insurance and housing provident fund contributions, and that we are subject to administrative fines, our business and financial condition and results of operations may be adversely affected.

**We face risks related to natural disasters and health epidemics in China where we operate which could significantly disrupt our operations.**

We face risks related to natural disasters and health epidemics. Our business could be materially and adversely affected by natural disasters, health epidemics or other public safety concerns. Natural disasters may give rise to server interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to operate our games and provide services. Our business could also be adversely affected by the effects of Ebola virus



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disease, Zika virus disease, H1N1 flu, H7N9 flu, avian flu, SARS, COVID-19 or other epidemics, since it could require our employees to be quarantined and/or our offices to be disinfected. In addition, our results of operations could be adversely affected to the extent that any of these epidemics harms the PRC economy in general, the general consumer spending sentiment and the mobile sports game industry. Moreover, due to the outbreak of the COVID-19 pandemic, there has been suspension of sports seasons.

In response to the COVID-19 outbreak in China, the PRC government has introduced a series of measures. Business activities in China have also been temporarily disrupted. Despite such temporary disruptions caused by the COVID-19 pandemic, we maintained strong revenue growth throughout the Track Record Period as a result of an epic increase in the demand for internet and IDC services under the social distancing measures. However, we cannot guarantee that the COVID-19 outbreak will not worsen or the suspension of business activities in China will recrudescence, which may, in turn, delay or negatively affect our business and those of our suppliers and other business partners. As China relaxes its “zero-COVID” policy, there has been a significant surge of COVID-19 cases in China. The rising number of confirmed COVID-19 cases across China may further have a negative impact on our business operations and financial position.

In addition, our business, financial condition and results of operations could be adversely affected to the extent that any health epidemic harms the national economy in general. Our headquarters are located in Wuxi, where most of our Directors, senior management and employees currently reside. Consequently, if any natural disasters, health epidemics or other public safety concerns were to affect Wuxi or other cities in China where our other offices are located, our operation may experience material disruptions, such as temporary closure of our offices and suspension of service, which may materially and adversely affect our business, financial condition and results of operations.

**Our liquidity and financial condition may be materially and adversely affected if we fail to collect trade receivables from our clients in a timely manner, or at all.**

As at 31 December 2021, 2022 and 2023, our trade receivables were RMB99.3 million, RMB117.3 million and RMB201.0 million, and the allowance for impairment of the respective year were RMB1.8 million, RMB2.2 million and RMB3.4 million. Our trade receivable turnover days were 82.0 days for the year ended 31 December 2023. We recorded impairment losses on trade receivable of RMB484,000 and RMB1.1 million for the years ended 31 December 2022 and 2023, respectively, and impairment losses reversed on trade receivable of RMB110,000 for the year ended 31 December 2021. As our business continues to scale, our trade receivable balance may continue to grow, which may increase our risks for uncollectible receivables. We generally do not require collateral or other security from our clients and we cannot assure you that our clients will consistently make timely and full payments to us. Although we believe that our loss allowance for trade receivable is currently adequate, our liquidity and financial condition may be materially and adversely affected if we fail to collect trade receivable from clients in a timely manner, or at all.

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### **We recorded net current liabilities.**

We recorded net current liabilities of RMB48.2 million as at 31 December 2023, as compared to our net current assets of RMB24.3 million and RMB29.8 million as at 31 December 2021 and 2022 respectively. The significant surge in current liabilities when compared with the preceding financial year was primarily attributable to (i) the increase of RMB99.7 million in our interest-bearing bank borrowings; (ii) the increase of RMB72.8 million in our trade payables; (iii) the decrease of RMB84.3 million in our amounts due from related parties as a result of the full repayment of interest-free loan to Mr. Sun; and was partially offset by the increase in trade receivables of RMB82.5 million and increase in prepayments, other receivables and other assets of RMB18.2 million, when compared with the respective figures recorded as at 31 December 2022.

We cannot assure you that we will not record net current liabilities in the future due to other reasons. If we have net current liabilities in the future, our working capital may be constrained, we may be unable to repay our short-term debts and we may be forced to seek external financing, which may not be available at commercially reasonable terms or at all. Any such development may materially and adversely affect our business, financial condition and results of operations.

### **We were subject to credit risks to our other non-current assets.**

Our other non-current assets primarily comprised receivables of long-term receivables from a third party. As at 31 December 2023, we had other non-current assets of RMB78.8 million. If such third party's cash flows, working capital, financial condition or results of operations deteriorate, they may be unable, or they may otherwise be unwilling, to pay long-term receivables owed to us promptly or at all. Any substantial defaults or delays may materially and adversely affect our cash flows. The delay in payment by such third party may negatively affect our cash flow and increase our liquidity risks.

### **Our agreements for third-party data centres could be terminated early and we may not be able to renew our existing agreements on commercially acceptable terms, which could materially and adversely affect our operations.**

Our IDC Solution Services are operated in third-party data centres that we procure from state-owned telecommunication carriers. Our agreements with third parties are typically from one year to three years. Under some of such agreements, we have the right to renew the agreements subject to the mutual agreement with third parties. Some of such agreements allow the third parties to terminate the agreements early, subject to a notification period requirement and the payment of a pre-determined termination fee, which in some cases may not be sufficient to cover any direct and indirect losses we might incur as a result. Although historically we have successfully renewed all agreements we wanted to renew, and we do not believe that any of our agreements will be terminated early in the future, there can be no assurance that the counterparties will not terminate any of our agreements prior to its expiration date. We plan to renew our existing agreements with third parties upon expiration. However, we may not be able to renew these agreements on commercially acceptable terms, if at all, or the space in data centres that we procure may not be adequate for us to relocate such operations, and we may experience an increase in our prices under such agreements. Any adverse change to our ability to exert operational control over any of the data

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centre facilities we operate could have a material adverse effect on our ability to operate these data centre facilities at the standards required for us to meet our service level commitments to our clients. For details, please refer to the paragraph headed “Business — Our Clients — Colocation and infrastructure management service agreement” in this prospectus.

**Our net revenue is highly dependent on a limited number of clients, and the loss of, or any significant decrease in business from, any one or more of our major clients could adversely affect our financial condition and results of operations.**

We consider our clients to be the end users of our services. We may enter into agreements directly with our clients or provide services to our clients through agreements with intermediate contracting parties.

We have in the past derived, and believe that we will continue to derive, a significant portion of our net revenue from a limited number of clients. We had three clients that generated 28.7%, 16.7% and 12.2% of our total revenue, respectively, for the year ended 31 December 2021. We had five clients that generated 20.5%, 18.2%, 15.0%, 13.0% and 10.8% of our total revenue, respectively, for the year ended 31 December 2022. We had three clients that generate 20.9%, 15.6% and 15.4% of our total revenue, respectively, for the year ended 31 December 2023. No other client accounted for 10% or more of our total net revenue during the Track Record Period. We expect our net revenue will continue to be highly dependent on a limited number of clients who account for a large percentage of our total area committed.

There are a number of factors that could cause us to lose major clients. Because many of our agreements involve services that are mission-critical to our clients, any failure by us to meet a client’s expectations could result in cancellation or non-renewal of the agreement. Our service agreements usually allow our clients to terminate their agreements with us before the end of the contract period under certain specified circumstances, including our failure to deliver services as required under such agreements, and in some cases without cause as long as sufficient notice is given. In addition, our clients may decide to reduce spending on our services due to a challenging economic environment or other factors, both internal and external, relating to their business such as corporate restructuring or changing their outsourcing strategy by moving more facilities in-house or outsourcing to other service providers. Furthermore, our clients, some of whom have experienced rapid changes in their business, substantial price competition and pressures on their profitability, may demand price reductions or reduce the scope of services to be provided by us, any of which could reduce our profitability. In addition, our reliance on any individual client for a significant portion of our net revenue may give that client a degree of pricing leverage against us when negotiating agreements and terms of services with us.

The loss of any of our major clients, or a significant decrease in the extent of the services that they outsource to us or the price at which we sell our services to them, could materially and adversely affect our financial condition and results of operations.

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**If we are unable to meet our service level commitments, our reputation and results of operation could suffer.**

Most of our client agreements provide that we maintain certain service level commitments to our clients. If we fail to meet our service level commitments, we may be contractually obligated to pay the affected client a financial penalty, which varies by agreement, and the client may in some cases be able to terminate its agreement. Although we have not had to pay any material financial penalties for failing to meet our service level commitments in the past, there is no assurance that we will be able to meet all of our service level commitments in the future and that no material financial penalties may be imposed. In addition, if such a failure were to occur, there can be no assurance that our clients will not seek other legal remedies that may be available to them, including:

- requiring us to provide free services;
- seeking damages for losses incurred; and
- cancelling or electing not to renew their agreements.

Any of these events could materially increase our expenses or reduce our net revenue, which would have a material adverse effect on our reputation and results of operations. Our failure to meet our commitments could also result in substantial client dissatisfaction or loss. As a result of such client loss and other potential liabilities, our net revenue and results of operations could be materially and adversely affected.

**Revenue from our client base may decline if our clients or potential clients develop their own data centres or their own edge computing infrastructure.**

Some of our clients may develop their own data centre facilities. Other clients with their own existing data centres may choose to expand their data centre operations in the future. In the event that any of our key clients were to develop or expand their data centres, we may lose business or face pressure as to the pricing of our services. Although we believe that the trend is for companies in China to outsource more of their data centre facilities and operations to colocation data centre service providers, there can be no assurance that this trend will continue. In addition, if we fail to offer Edge Computing Services that are cost-competitive and operationally advantageous as compared with services provided in-house by our clients, we may lose clients or fail to attract new clients. If we lose a client, there is no assurance that we would be able to replace that client at the same or a higher rate, or at all, and our business and results of operations would suffer.

**We recorded a decrease in the net profit for the year ended 31 December 2022, primarily attributed to the continuously increasing investment in research and development, which may not generate the results we expect to achieve.**

We have been investing on our research and development efforts primarily by hiring new and qualified research and development staff and developing new software and platform, as we believe that our business and results of operations depend heavily on the technological advancement and innovation in our services and offerings in response to our existing and potential clients' evolving need.

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During the Track Record Period, our Company recorded a decrease in the net profit of RMB4.7 million from RMB12.7 million for the year ended 31 December 2021 to RMB8.0 million for the year ended 31 December 2022. The decrease in the net profit during the year ended 31 December 2022 was attributable to, among others, the increase in the research and development expenses. For the year ended 31 December 2022, our research and development expenses accounted for RMB23.6 million. The IDC solution market is evolving rapidly with intensifying competition among participants of the industry. Clients and end-users are expecting better quality and enhanced users' experience. To survive the fierce competition and keep up with the market's demand, we need to further expand our research and development team and extend our research and development plans to provide more advanced offerings. As such, we need to continue to invest more capital on our research and development activities.

However, our investment in research and development may not generate corresponding benefits right away. Even if we succeed in our research and development efforts and generate the results we expect, we may still encounter practical difficulties in commercialising our development results. Given the ever-evolving development of the data-related technology, we may not be able to timely upgrade our technologies in an efficient and cost-effective manner, or at all. New technologies in the industry could render our technologies, infrastructure or products and services that we are developing or expect to develop in the future obsolete or unattractive, thereby limiting our ability to recover related product development costs, which could result in a decline in our profitability.

**If we do not succeed in attracting new clients for our services and/or growing revenue from existing clients, we may not achieve our revenue growth goals.**

We have been expanding our client base to cover a range of industry verticals, particularly cloud service providers and other internet-based businesses. Our ability to attract new clients, as well as our ability to grow revenue from our existing clients, depends on a number of factors, including our ability to offer high-quality services at competitive prices, the strength of our competitors and the capabilities of our marketing and sales teams to attract new clients. If we fail to attract new clients, we may not be able to grow our net revenue as quickly as we anticipate or at all.

As our client base grows and diversifies into other industries, we may be unable to provide clients with services that meet the specific demand of such clients or their industries, or with quality client support, which could result in client dissatisfaction, decreased overall demand for our services and loss of expected revenue. In addition, our inability to meet client service expectations may damage our reputation and could consequently limit our ability to retain existing clients and attract new clients, which would adversely affect our ability to generate revenue and negatively impact our results of operations.

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**Our clients operate in a limited number of industries, particularly in the cloud services and internet. Factors that adversely affect these industries or information technology spending in these industries may adversely affect our business.**

Our clients operate in a limited number of industries, particularly in the cloud computing service and Internet service industries. For the years ended 31 December 2021, 2022 and 2023, revenue from clients for our IDC Solution Services accounted for 94.2%, 98.2% and 96.8% of our total revenue, respectively, and revenue from clients for our ICT Services and Other Services accounted for 5.8%, 0.9% and 0.6%, respectively. Our business and growth depend on continued demand for our services from our current and potential clients in the cloud computing service and Internet service industries. Demand for our services, and technology services in general, in any particular industry could be affected by multiple factors outside of our control, including a decrease in growth or growth prospects of the industry, a slowdown or reversal of the trend to outsource information technology operations, or consolidation in the industry. Any significant decrease in demand for our services by clients in these industries, or other industries from which we derive significant net revenue in the future, may reduce the demand for our services.

If we do not maintain good relationships with cloud computing service and Internet service providers, our business could be negatively affected. If these cloud service providers fail to perform as required under our agreements for any reason or suffer service level interruptions or other performance issues, or if our clients are less satisfied than expected with the services provided or results obtained, we may not realise the anticipated benefits of these relationships.

Since our agreements with key cloud computing service and Internet service providers in China are non-exclusive, these companies may decide in the future to partner with more of our competitors, develop in-house data centre capabilities or terminate their agreements with us, any of which could adversely and materially affect our business expansion plan and expected growth.

**We may not be able to compete effectively against our current and future competitors.**

We offer a broad range of data centre services and, as a result, we may compete with a wide range of data centre service providers for some or all of the services we offer. Policies recently promoted by the PRC government concerning the concept of “new infrastructure” may encourage and result in a new wave of investment in, among other things, large-scale data centres, Artificial Intelligence and industrial internet at all levels of the economy. Accordingly, there may be an increase in the number of companies engaging in the data centre services business due to the numerous opportunities presented by such policies, which may result in increased competition in our industry. We face competition from the state-owned telecommunication carriers, as well as other domestic and international carrier-neutral data centre service providers. Our current and future competitors may vary by size, service offerings and geographic presence. For details, please refer to the paragraph headed “Business — Competition” in this prospectus. Competition is primarily centered on reputation and track record, quality and availability of data centre capacity, quality of service, technical expertise, security, reliability, functionality, breadth and depth of services offered,

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geographic coverage, financial strength and price. Some of our current and future competitors may have greater brand recognition, marketing, technical and financial resources than we do. As a result, some of our competitors may be able to:

- bundle colocation services with other services or equipment they provide at reduced prices;
- develop superior products or services, gain greater market acceptance, and expand their service offerings more efficiently or rapidly;
- adapt to new or emerging technologies and changes in client requirements more quickly;
- take advantage of acquisition and other opportunities more readily; and
- adopt more aggressive pricing policies and devote greater resources to the promotion, marketing and sales of their services.

We operate in a competitive market, and we face pricing pressure for our services. Prices for our services are affected by a variety of factors, including supply and demand conditions and pricing pressures from our competitors. With respect to our IDC Solution Services, our competitors may offer such services at rates below current market rates or below the rates we currently charge our clients. We may be required to lower our prices to remain competitive, which may decrease our margins and adversely affect our business prospects, financial condition and results of operations.

In addition, in relation to our Edge Computing Services, one or more third parties might develop improvements to current peer-to-peer technology, which is a technology that relies upon the computing power and bandwidth of its participants, such that this technological approach is better able to deliver content in a way that is competitive to our Edge Computing Services, or even that makes Edge Computing Services obsolete. We may not anticipate such developments and may be unable to adequately compete with these potential solutions. In addition, our clients' business models may change in ways that we do not anticipate and these changes could reduce or eliminate clients' needs for our Edge Computing Services. If this occurred, we could lose clients or potential clients, and our business and financial results would suffer. As a result of these or similar potential developments, in the future it is possible that competitive dynamics in our market may require us to reduce our prices, which could harm our revenue, gross margin and operating results.

### **Our ICP licences were held by entities under the VIE structure through the Contractual Arrangements and we may be regarded as being non-compliant with the regulations on VATS.**

The laws and regulations regarding VATS and licensing in the PRC are relatively new and are still evolving, and their interpretation and enforcement involve significant uncertainties. Investment activities in the PRC by foreign investors are principally governed by the Negative List (2021). A foreign investor is prohibited to invest in any of the prohibited fields specified in the Negative List (2021). According to Negative List (2021), foreign investors are not allowed to hold 50% interests or more in VATS which fall within China's commitment to the WTO (other than e-commerce,



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domestic multi-party communications, store-and-forward and call centre). Foreign direct investment in telecommunications companies in the PRC is regulated by the Regulations for the Administrative Regulations on Foreign-Invested Telecommunications Enterprises, which was amended on 29 March 2022. According to such regulations, foreign-invested telecommunications enterprises in the PRC, and foreign investors are not allowed to hold more than 50% of the interests in such enterprise unless it is otherwise provided by the State. The qualification requirements that a foreign investor who invests in a VATS in the PRC must possess prior experience in operating VATS and a proven track record of business operations (the “**Qualification Requirement**”) are removed by the FITE Regulations. For details, please refer to the paragraph headed “Regulatory Overview — Regulations on Company and Foreign Investment Restrictions” in this prospectus. Under the Telecommunications Regulations, a telecommunications service provider is required to obtain an operating licence prior to its commencement of operations. The Administrative Measures for Telecommunications Business Operating Licence, which came effect on 10 April 2009, and was amended on 3 July 2017 (effective on 1 September 2017), set forth the types of licences required for the provision of telecommunications services in China and the procedures and requirements for obtaining such licences.

Our Group obtained a cross-regional ICP Licence, the scope of which now includes fixed network domestic data transmission services, IDC services, Edge Computing Services and Internet access services. In order to adapt to the new regulatory requirements, we incorporated a domestic company wholly owned by Cloud Factory HK, a limited liability company established in Hong Kong. As part of the VIE structure, Wuxi Lingjingyun entered into Contractual Arrangements with our Group.

However, if the MIIT regards us as existing in a state of non-compliance, penalties could potentially be assessed against us. It is possible that the amount of any such penalties may be several times more than the net revenue generated from these services. Our business, financial condition, expected growth and prospects would be materially and adversely affected if such penalties were to be assessed upon us. It is also possible that the PRC government may prohibit a non-compliant entity from continuing to carry on its business, which would materially and adversely affect our results of operations, expected growth and prospects.

**We may fail to obtain, maintain and update licences or permits necessary to conduct our operations in the PRC, and our business may be materially and adversely affected as a result of any changes in the laws and regulations governing the VATS industry in the PRC.**

There can be no assurance that we will be able to maintain our existing licences or permits necessary to provide our current IDC Solution Services in the PRC, renew any of them when their current term expires, or update existing licences or obtain additional licences necessary for our future business expansion. The failure to obtain, retain, renew or update any licence or permit generally, and our ICP Licences in particular, could materially and adversely disrupt our business and future expansion plans.



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In addition, if future PRC laws or regulations governing the VATS industry require that we obtain additional licences or permits or update existing licences in order to continue to provide our IDC Solution Services, there can be no assurance that we would be able to obtain such licences or permits or update existing licences in a timely manner, or at all. If any of these situations occur, our business, financial condition and prospects would be materially and adversely affected.

**The data centre resource suppliers from whom we procure data centre capacity on a wholesale basis may fail to maintain licences and permits necessary to conduct their operations in the PRC, and our business may be materially and adversely affected.**

As at 31 December 2021, we managed the data centre resources that we procure on a wholesale basis from other data centre resource providers. There can be no assurance that the wholesale data centre providers from whom we procure will be able to maintain their existing licences or permits necessary to provide our current IDC Solution Services and Edge Computing Services in the PRC or renew any of them when their current term expires. Their failure to obtain, retain or renew any licence or permit generally, and their ICP Licences in particular, could materially and adversely disrupt our business.

In addition, if any future PRC laws or regulations governing the VATS industry require that the wholesale data centre providers from whom we procure obtain additional licences or permits in order to continue to provide their data centre resources, there can be no assurance that they would be able to obtain such licences or permits in a timely manner, or at all. If any of these situations occur, our business, financial condition and prospects could be materially and adversely affected.

We cannot assure you that we will be able to relocate such operations to suitable alternative premises, and any such relocation may result in disruption to our business operations and thereby result in loss of earnings. We may also need to incur additional costs for the relocation of our operation. There is also no assurance that we will be able to effectively mitigate the possible adverse effects that may be caused by such disruption, loss or costs. Any of such disruption, loss or costs could materially and adversely affect our financial condition and results of operations.

**If our state-owned telecommunication carrier suppliers decide to work directly with our Internet company or cloud computing service provider clients, we may be exposed to the risk of disintermediation and our profitability and prospects may be materially and adversely affected.**

Our business and prospects depend to a large extent on our ability to optimise our IDC Solution Services by reducing transaction cost and increasing the operational efficiency of our clients, which would enable us to attract and retain marketing leading Internet companies and cloud computing service providers in the PRC to work with us instead of our competitors or suppliers directly. As competition in the PRC's Internet data centre industry intensifies, though rare, Internet companies and cloud computing service providers may partners with state-owned telecommunication carriers directly. As is common in the industry, we do not have long-term colocation and infrastructure management service agreements with our clients, and a majority of our colocation and infrastructure management service agreements, as well as data centre business

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agreements have a term of one year, which exposes us to the risks of uncertainty and potential volatility with respect of our revenue. State-owned telecommunication carriers are not obligated to engage with us on an exclusive basis and they may use multiple IDC solution service providers to commercialise their B-to-B Operation in the data centre operation. There is no assurance that the state-owned telecommunication carriers will continue to work with us. In addition, we cannot assure you that market-leading Internet companies and cloud computing service providers in the PRC will continue utilising our IDC Solution Services instead of directly dealing with state-owned telecommunication carriers. Such decisions may be beyond our control. We may not be able to timely replace the clients that reduce or cease their engagement of our services with new clients that spend at similar levels or more on our services. Our business, results of operations and prospects could be materially and adversely affected if our clients decide to engage other IDC solution service providers, or in certain cases, with the state-owned telecommunication carriers directly.

**We have limited ability to protect our intellectual property rights, and unauthorised parties may infringe upon or misappropriate our intellectual property.**

Our success depends in part upon our proprietary intellectual property rights, including certain methodologies, practices, tools and technical expertise we utilise in designing, developing, implementing and maintaining applications and processes used in providing our services. We rely on a combination of copyright, trademark, trade secrets and other intellectual property laws, non-disclosure agreements with our employees, clients and other relevant persons and other measures to protect our intellectual property, including our brand identity. Nevertheless, it may be possible for third parties to obtain and use our intellectual property without authorisation. The unauthorised use of intellectual property is common in China and enforcement of intellectual property rights by PRC regulatory agencies is inconsistent. As a result, litigation may be necessary to enforce our intellectual property rights. Litigation could result in substantial costs and diversion of our management's attention and resources, and could disrupt our business, as well as have a material adverse effect on our financial condition and results of operations. Given the relative unpredictability of China's legal system and potential difficulties in enforcing a court judgment in China, there is no guarantee that we would be able to halt any unauthorised use of our intellectual property in China through litigation.

**We may be subject to third-party claims of intellectual property infringement.**

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

Our broad range of proprietary technologies increases the likelihood that third parties may claim infringement by us of their intellectual property rights. Certain technologies necessary for our business may, in fact, be patented by other parties either now or in the future. If such technologies

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were held under a valid patent by a third party, we would have to negotiate a licence for the use of that technology, which we may not be able to negotiate on commercially reasonable terms or at all. The existence of such a patent, or our inability to negotiate a licence for any such technology on reasonable terms, could force us to cease using such technology and services incorporating such technology. In addition, even if we succeed in obtaining a licence to continue using the relevant technology, we may incur substantial licence fees, which could materially and adversely affect our business, results of operations and financial condition.

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

### **Competition for employees is intense, and we may not be able to attract and retain the qualified and skilled employees needed to support our business.**

We believe our success depends on the efforts and talent of our employees, including data centre management, operations, engineering, IT, risk management, and sales and marketing personnel. Our future success depends on our continued ability to attract, develop, motivate and retain qualified and skilled employees. Competition for highly skilled personnel is extremely intense. We may not be able to hire and retain these personnel at compensation levels consistent with our existing compensation and salary structure. Some of the companies with which we compete for experienced employees have greater resources than we have and may be able to offer more attractive terms of employment. In addition, we invest significant time and expenses in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expenses in hiring and training their replacements, and the quality of our services and our ability to serve our clients could diminish, resulting in a material adverse effect on our business.

### **A potential oversupply of data centre capacity could have a material adverse effect on us.**

The continued construction and establishment of new privately-owned data centres could result in an oversupply of data centres and thus enhance competition in the IDC solution service market. Excessive data centre capacity could drive down the bandwidth price of data centre operations and limit the number of economically attractive markets that are available to us for expansion, which

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could negatively impact our business and results of operations. With more IDC solution service providers serving for the same pool of clients, there is likely to be heightened price competition, which can lead to lower profit margins and decreased revenue for market participants. If the data centre capacity increases by more than 10% and such increase in supply is not met by the corresponding growth in demand, the bandwidth price of data centre operations may drop by more than 5%.

**Our operating results may fluctuate, which could make our future results difficult to predict, and may fall below investor or analyst expectations.**

Our operating results may fluctuate due to a variety of factors, including many of the risks described in this section, which are outside of our control. You should not rely on our operating results for any prior years as an indication of our future operating performance. Fluctuations in our net revenue can lead to even greater fluctuations in our operating results. Our budgeted expense levels depend in part on our expectations of long-term future net revenue. Given the relatively large fixed cost of revenue for services, other than utility costs, any substantial adjustment to our costs to account for lower-than-expected levels of net revenue will be difficult. Consequently, if our net revenue does not meet projected levels, our operating performance will be negatively affected. If our net revenue or operating results do not meet or exceed the expectations of investors or securities analysts, the price of our Shares may decline.

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

The global macroeconomic environment was facing numerous challenges. The growth rate of the Chinese economy had already been slowing since 2010. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world's leading economies, including problems that may arise from the unwinding of those policies. The Federal Reserve has signaled its intention to raise interest rates in the United States. Recently, the Russia-Ukraine conflict has caused, and continues to intensify, significant geopolitical tensions in Europe and across the world. This conflict and the imposition of broad economic sanctions on Russia could raise energy prices and disrupt global markets. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. As a result, any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition.

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**Failure to comply with anti-bribery and anti-corruption laws and regulations, or effectively manage our employees, affiliates and business partners could severely damage our reputation, and materially and adversely affect our business, financial condition, results of operations and prospects.**

We are primarily subject to the anti-bribery and anti-corruption laws of the PRC. However, as our business expands, the applicability of other anti-bribery and anti-corruption laws from other jurisdictions, such as the Foreign Corrupt Practices Act enacted in the United States, to our operations may increase in the future.

We are subject to risks in relation to actions taken by us, our employees, affiliates, third parties whom we collaborate or other business partners that constitute violations of the anti-corruption laws and regulations. If we, our employees, affiliates, third parties whom we collaborate or other business partners violate these laws, rules or regulations, we could be subject to fines and/or other penalties. Actions by relevant regulatory authorities or the courts to provide an interpretation of the laws and regulations that differ from our interpretation or to adopt additional anti-bribery or anti-corruption-related regulations could also require us to make changes to our operations. Our reputation, corporate image, and business operations may be materially and adversely affected if we fail to comply with these measures or become the target of any negative publicity as a result of actions taken by us, our employees, affiliates, third parties whom we collaborate or other business partners.

**If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired.**

Our internal control over financial reporting will not prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

### **Potential fines for unregistered lease agreements**

As at the Latest Practicable Date, we leased two properties in the PRC, lease agreement of one of the properties was not registered with the local branch of the relevant property administrative authorities within the time limit prescribed, as the registration and filing applicable to leasing of the commercial housing cannot be made for this property due to its construction on collectively-owned land. As advised by our PRC Legal Adviser, the failure of lease registration and filing would not directly affect the legality, validity and enforceability of the lease agreement. We are further advised by the PRC Legal Adviser that we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for the unregistered lease agreement, on the premise that if the relevant PRC government authorities require us to rectify, and we fail to do so within the prescribed time period. As at the Latest Practicable Date, we have not received any notice from any government

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authority in relation to penalty or enforcement. We believe that the fine incurred due to unregistered lease agreement is unlikely to have a material adverse impact on our business operations and financial performance.

### **RISKS RELATED TO OUR CONTRACTUAL ARRANGEMENTS**

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

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

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

As there still exists uncertainties regarding the interpretation and application of existing and future PRC laws on the validity of the contractual arrangement, relevant PRC legislative, administrative or judicial bodies in the future may, in accordance with the interpretation of the existing PRC laws or the laws and regulations promulgated in the future, especially regulations on the policies regarding to industries with foreign investment, make decisions contrary to the opinions in this legal opinion. Once such a contrary decision is made, the contractual arrangement shall be revised accordingly and may be subject to the following measures taken by relevant government departments:

- withdrawal of business and operating licences of Wuxi Lingjingyun or any of the Consolidated Affiliated Entity;
- restriction or prohibition on the operation of Wuxi Lingjingyun or any of the Consolidated Affiliated Entity;
- confiscation of any income which is deemed as illegal gained by Wuxi Lingjingyun or any of the Consolidated Affiliated Entity;



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- imposition of fines or other penalties that may be difficult or impossible to comply with on Wuxi Lingjinyun or any of the Consolidated Affiliated Entity;
- enjoining Wuxi Lingjinyun or any of the Consolidated Affiliated Entity to undertake restructuring of its shareholding structures or operations; or
- restriction or prohibition on the use of any proceeds from the Listing to conduct domestic business and operations.

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

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

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

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may not be able to exert effective control over our Consolidated Affiliated Entities and may lose control over the assets owned by our Consolidated Affiliated Entities. As a result, we may be unable to consolidate our Consolidated Affiliated Entities in our consolidated financial statements, which could materially and adversely affect our business, results of operations and financial condition.

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

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

**Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.**

The Contractual Arrangements are governed by PRC laws and provide for dispute resolution by way of arbitration in the PRC. The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of Cloud Factory and its subsidiaries, injunctive relief and/or winding up of Cloud Factory and its subsidiaries. In addition, the Contractual Arrangements contain provisions to the effect that courts in Hong Kong, the Cayman Islands and courts in other countries with jurisdiction are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal.

However, we have been advised by our PRC Legal Adviser that the abovementioned provisions contained in the Contractual Arrangements may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order to preserve the assets of or any equity interest in our Consolidated Affiliated Entities in case of disputes. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in the Contractual Arrangements. In addition, our PRC Legal Adviser are of the view that, even though the Contractual Arrangements provide that overseas courts such as Hong Kong and the Cayman Islands may grant and/or enforce interim remedies in support of the arbitration, such interim remedies (even if so granted by courts in Hong Kong, the Cayman Islands or courts in other countries with jurisdiction in favour of an aggrieved party) may not be recognised or enforced by PRC courts. Although relevant signing parties have agreed on the aforesaid dispute resolution clause set out in the Control Agreement, some of the provisions under the aforesaid dispute resolution clause do not have a legal basis in the PRC and, in the course of practice, relevant arbitration committee may not be able to enforce such dispute resolution clause and the PRC Court may not enforce the award of relevant arbitration committee and the provisional



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injunctive relief or other provisional relief granted by relevant overseas court. As a result, in the event that Cloud Factory and its subsidiaries or any of its shareholders or Wuxi Lingjingyun breaches any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and if we are unable to enforce the Contractual Arrangements, our ability to exert effective control over our Consolidated Affiliated Entities and conduct our business could be materially and adversely affected.

**We may lose the ability to use and enjoy assets held by our Consolidated Affiliated Entities that are material to our business operations if our Consolidated Affiliated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.**

Our Consolidated Affiliated Entities hold certain assets that may be critical to the operation of part of our business. If the shareholders of our Consolidated Affiliated Entities breach the Contractual Arrangements and voluntarily liquidate the Consolidated Affiliated Entities, or if our Consolidated Affiliated Entities declare bankruptcy and all or part of their assets become subject to liens or rights of third-party creditors or are otherwise disposed of without our consent, we may be unable to continue some of our business activities, which could adversely affect our business, financial condition and results of operations. In addition, if our Consolidated Affiliated Entities undergo involuntary liquidation proceedings, third-party creditors may claim rights to some or all of their assets, thereby hindering our ability to operate part of our business, which could adversely affect our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

**Our Group does not have any insurance which covers the risks relating to the Contractual Arrangements and the transactions contemplated thereunder.**

The insurance of our Group does not cover the risks relating to the Contractual Arrangements and the transactions contemplated thereunder and our Company has no intention to purchase any insurance in this regard. If any risk arises from the Contractual Arrangements in the future, such as those affecting the enforceability of the Contractual Arrangements and the operation of the Consolidated Affiliated Entities, the financial results and financial position of our Group may be adversely affected.

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### **Wuxi Lingjingyun bears economic risks as the primary beneficiary of the Consolidated Affiliated Entities.**

As the primary beneficiary of the Consolidated Affiliated Entities, Wuxi Lingjingyun will share both profit and loss of the Consolidated Affiliated Entities and bears economic risks which may arise from difficulties in the operation of our Group. Wuxi Lingjingyun may have to provide financial support in the event of financial difficulty of the Consolidated Affiliated Entities. Under these circumstances, our Group's financial results and financial position may be adversely affected by the worsening financial performance of the Consolidated Affiliated Entities and the need to provide financial support to it.

### **There may be a potential impact to our Company if our contractual arrangements with the Consolidated Affiliated Entity, its subsidiaries and shareholders are not treated as domestic investment.**

If the operation of our businesses conducted through the Consolidated Affiliated Entity is subject to any restrictions pursuant to the Negative List (2021), or any successor regulations, and the contractual arrangements are not treated as domestic investment, the contractual arrangements may be regarded as invalid and illegal. If this were to occur, we would not be able to operate the relevant businesses through the contractual arrangements and would lose our rights to receive the economic benefits of the Consolidated Affiliated Entities. As a result, we would no longer consolidate the financial results of the Consolidated Affiliated Entities into our financial results and we would have to derecognise their assets and liabilities according to the relevant accounting standards. If we do not receive any compensation, we would recognise an investment loss as a result of such de-recognition.

## **RISKS RELATED TO DOING BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA**

### **Our business is affected by changes in the PRC's economic, political or social conditions or government policies.**

All of our business, assets and operations are located in the PRC, and therefore, our business, financial condition, results of operations and prospects are affected to a large extent by the general political, economic and social developments in the PRC. Similar to many other countries and regions, the PRC regulates its economy through imposing and adjusting industrial, fiscal or monetary policies from time to time. Our business has been and will continue to be affected by the PRC's economy, which in turn is increasingly influenced by the global economy. The uncertainties in the global economy and the geo-political or social environment in various regions around the world will continue to influence the PRC's economic growth and may cause uncertainties in our prospects. Future changes in economic, political, social, and regulatory conditions may continue to influence our business, financial condition, results of operations and prospects.

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### **We may be classified as a PRC resident enterprise for PRC enterprise income tax purposes.**

Under the EIT Law and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within the PRC is considered a resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over, and overall management of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the STA issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is a PRC resident enterprise located in the PRC. As substantially all of our management members are based in the PRC, it remains unclear how the tax residency rule will apply in our case. If the PRC tax authorities determine that our Company, or any of our subsidiaries outside of the PRC, is a PRC resident enterprise for PRC enterprise income tax purposes, then our Company or such subsidiary could be subject to PRC tax at a rate of 25% on its worldwide income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Moreover, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of our ordinary Shares may be subject to PRC tax, and dividends we pay may be subject to PRC withholding tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains or dividends are deemed to be from PRC sources. It is unclear whether non-PRC Shareholders of our Company would be able to obtain the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise.

### **The indirect transfers of equity interests in our PRC resident enterprises through transfers made by our Shareholders or our non-PRC holding companies may be subject to enterprise income tax.**

On 3 February 2015, the STA promulgated the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (“**Circular 7**”), which provides comprehensive guidelines relating to, and has also heightened the Chinese tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (the “**Chinese Taxable Assets**”). For example, Circular 7 states that where a non-resident enterprise transfers Chinese Taxable Assets indirectly, by disposing of equity interests in an overseas holding company directly or indirectly holding such Chinese Taxable Assets, and such transfer is deemed to be, for the purpose of avoiding enterprise income tax payment obligations, and without any other bona fide commercial purpose, the transfer may be reclassified by the Chinese tax authorities as a direct transfer of Chinese Taxable Assets. Circular 7 also introduces safe harbors for internal group restructurings and the purchase and sale of equity interests through a public securities market. Although Circular 7 contains certain exemptions, it is unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares, such as purchasing our Shares in the open market, and selling them in a private transaction, or vice versa, or to any future acquisition by us outside of the PRC involving Chinese Taxable Assets, or whether the Chinese tax authorities classify such transactions by applying Circular 7. Therefore, the

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Chinese tax authorities may deem any transfer of our Shares by those of our Shareholders that are non-resident enterprises, or any future acquisitions by us outside of the PRC involving Chinese Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional Chinese tax reporting obligations or tax liabilities. In addition, if we fail to comply with Circular 7 and/or Circular 37, the Chinese tax authorities may take action, including requesting us to provide assistance in their investigation, or may impose a penalty on us, which could have a negative impact on our business, results of operations and financial condition.

**Restrictions on the remittance of Renminbi into and out of the PRC and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.**

The conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. As we may convert our revenue in Renminbi into other currencies to meet our foreign currency obligations, such as payments of dividends on our Shares, there is no assurance that we will have sufficient foreign exchange to meet these requirements. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, any changes to these foreign exchange policies that prevent us from obtaining sufficient foreign currencies may affect our ability to pay dividends in foreign currencies to our Shareholders.

**Foreign judgments may not always be effectively enforced in PRC jurisdiction.**

The ability to enforce foreign judgments differs across the world. A judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if there are reciprocal relationships between the PRC and such jurisdiction. The recognition and enforcement in the PRC of a court judgment obtained in other jurisdictions related to any matter that is not subject to a binding arbitration provision may be difficult or impossible. Our operating companies are established under the laws of the PRC, and all of our assets are located in the PRC. In addition, all of our Directors, Supervisors and senior management reside within the PRC, and substantially all of their assets are located within the PRC. As a result, if a foreign legal action is brought against us, our Directors, Supervisors or senior management, there is no guarantee that such foreign judgment will be enforceable in our home jurisdiction. On July 14, 2006, the Supreme People's Court of the PRC and the government of the Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the PRC and of the Hong Kong Special Administrative Region Pursuant to the Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “**Arrangement**”). Under the Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case under a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. Therefore, if the parties in dispute do not agree to enter

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into a choice of court agreement in writing, it may not be possible to enforce the judgment. Thus, it may be difficult or impossible for investors to effect service of process against our assets or Directors in the PRC in order to seek recognition and enforcement of foreign judgements in the PRC.

On January 18, 2019, the Supreme People’s Court of the PRC and the government of the Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**New Arrangement**”) which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the PRC. This New Arrangement does not require a choice of court agreement in writing by the parties for courts to exercise jurisdiction in accordance with the relevant rules. On 29 January 2024, the New Arrangement together with the Mainland Judgments in Civil and Commercial Matters (Reciprocal Enforcement) Ordinance (Chapter 645 of the Laws of Hong Kong) came into force and superseded the Arrangement in respect of the judgments given on or after 29 January 2024. However, there is no assurance that all final judgments will be recognised and enforced by the relevant PRC courts.

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

Our operations may be negatively affected by any deterioration in the political and economic relations among countries and sanctions and export controls administered by the government authorities in the countries in which we operate, and other geopolitical challenges, including, but not limited to, economic and labor conditions, increased duties, taxes and other costs and political instability. Margins on sales of our products and services in certain countries and on sales of products that include components obtained from certain foreign suppliers could be materially and adversely affected by international trade regulations, including duties, tariffs and antidumping penalties. For example, the U.S. government imposed economic and trade sanctions directly or indirectly affecting China-based technology companies. Such laws and regulations are likely subject to frequent changes, and their interpretation and enforcement involves substantial uncertainties, which may be heightened by national security concerns or driven by political and/or other factors that are out of our control. Therefore such restrictions, and similar or more expansive restrictions that may be imposed by the United States or other jurisdictions in the future, may be difficult or costly to comply with and may materially and adversely affect our and our technology partners’ abilities to acquire technologies, systems, devices or components that may be critical to our technology infrastructure, service offerings and business operations.

Any export controls or any economic or trade restrictions applicable to our businesses could be complex and may change frequently. The interpretation and enforcement of such laws and regulations involve uncertainties, which may be driven by political or other factors out of our control or heightened by national security concerns. Any potential restrictions imposed on us or our business partners, as well as any associated inquiries or investigations or any other government actions, may be difficult or costly to comply with and may cause disruptions to our service



## RISK FACTORS

offerings and business operations, result in negative publicity, require significant management time and attention and subject us to fines, penalties or orders. Any of the foregoing events may have a material and adverse effect on our business, financial condition and results of operations.

### **RISKS RELATED TO THE GLOBAL OFFERING**

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

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

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

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

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

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

## RISK FACTORS

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

Our Group may need to raise additional funds in the future to finance business expansion, new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in our Company may be reduced, or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

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

The Shares beneficially owned by our Controlling Shareholders are subject to certain lock-up periods, details of which are referred to in the paragraph headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings by the Controlling Shareholders — Undertakings pursuant to the Hong Kong Underwriting Agreement” in this prospectus. We cannot guarantee that our Controlling Shareholders will not dispose of our Shares following the expiration of their respective lock-up periods after the Listing Date. Our Group cannot predict the effect, if any, of any future disposal of Shares by any of our Controlling Shareholders, or that the Shares held by our Controlling Shareholders are available for purchase in the market may have on the market price of our Shares. Future sales, disposals, or other transfers of a substantial number of our Shares by our Controlling Shareholders in public market, or any prospects or possibilities of such sales, disposals or other transfers, as to or against which the holders of our Shares may or may not have a right to vote or veto, could adversely impact the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate.

### **The trading price of our Shares may be volatile, which could result in substantial losses to holders of our Shares.**

The trading price of our Shares can be volatile for different reasons. This may happen because of numerous market and industry factors, like the performance and fluctuation in the market prices or the underperformance or deteriorating financial results of other listed companies based in China. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in the trading prices of their securities. The trading performances of other Chinese companies’ securities after their offerings, including internet and e-commerce companies, may affect the attitudes of investors toward Chinese companies listed in Hong Kong, which consequently may impact the trading performance of our Shares, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or matters of other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have conducted any inappropriate activities. Furthermore, securities markets may from time-to-time experience significant price and volume fluctuations that are not related to our operating performance, such as the large decline in share prices in the United States, China and other jurisdictions in late 2008,



## RISK FACTORS

early 2009, the second half of 2011, in 2015, early 2020 and 2022. In addition to the above factors, the price and trading volume of our Shares may be highly volatile due to multiple factors, including the following:

- regulatory developments affecting us or our industry, clients or suppliers;
- announcements of studies and reports relating to the quality of our service offerings or those of our competitors;
- changes in the economic performance or market valuations of other data centre services companies;
- actual or anticipated fluctuations in our quarterly results of operations and changes or revisions of our expected results;
- changes in financial estimates by securities research analysts;
- conditions in the market for data centre services;
- announcements by us or our competitors of new product and service offerings, acquisitions, strategic relationships, joint ventures, capital raisings or capital commitments;
- additions to or departures of our senior management;
- any actual or alleged illegal acts of our senior management or other key employees;
- fluctuations of exchange rates between the Renminbi, the Hong Kong dollar and the U.S. dollar;
- political or market instability or disruptions, and actual or perceived social unrest in the United States, Hong Kong or other jurisdictions;
- release or expiry of lock-up or other transfer restrictions on our Shares;
- sales or perceived potential sales or other dispositions of existing or additional Shares or other equity or equity-linked securities; and
- attacks by short sellers, including the publication of negative opinions regarding us and our business prospects in order to create negative market momentum and generate profits for themselves after selling a stock short.

## RISK FACTORS

**If securities or industry analysts do not publish research or publish inaccurate or unfavourable research about our business, the market price for our Shares and trading volume could decline.**

The trading market for our Shares depends in part on the research and reports that securities or industry analysts publish about us or our business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who cover us downgrade our Shares or publish inaccurate or unfavourable research about our business, the market price for our Shares would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our Shares to decline.

**Techniques employed by short sellers may drive down the market price of our Shares.**

Short selling is the practice of selling securities that the seller does not own but rather has borrowed from a third party with the intention of buying identical securities back at a later date to return to the lender. The short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. As it is in the short seller's best interests for the price of the stock to decline, many short sellers publish, or arrange for the publication of, negative opinions regarding the relevant issuer and its business prospects in order to create negative market momentum and generate profits for themselves after selling a stock short. These short attacks have, in the past, led to the selling of shares in the market.

Public companies that have substantially all of their operations in China have been the subject of short selling. Much of the scrutiny and negative publicity has centered on allegations of a lack of effective internal control over financial reporting resulting in financial and accounting irregularities and mistakes, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result, many of these companies are now conducting internal and external investigations into the allegations. We may in the future be, the subject of unfavourable allegations made by a short seller. Any such allegations may be followed by periods of instability in the market price of our Shares and negative publicity. Regardless of whether such allegations are proven to be true or untrue, it is not clear what effect such negative publicity could have on us, and we could have to expend a significant amount of resources to investigate such allegations and/or defend ourselves. While we would strongly defend against any such short seller attacks, we may be constrained in the manner in which it can proceed against the relevant short seller by principles of freedom of speech, applicable law or issues of commercial confidentiality. Such a situation could be costly and time-consuming and could distract our management from growing our business. Even if such allegations are ultimately proven to be groundless, allegations against us could severely impact our business operations and stockholders' equity, and any investment in our Shares could be greatly reduced or rendered worthless.

## RISK FACTORS

**Because we do not expect to pay dividends in the foreseeable future, you must rely on price appreciation of our Shares for return on your investment.**

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our Shares and as a source for any future dividend income.

Our Board of Directors has complete discretion as to whether to distribute dividends. Even if our Board of Directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board of Directors. Accordingly, the return on your investment in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value or even maintain the price at which you purchased the Shares. You may not realise a return on your investment in our Shares and you may even lose your entire investment in our Shares.

**The Shares are equity and are subordinate to our existing and future indebtedness, and any preferred stock we may issue in the future.**

The Shares are our equity interests and do not constitute indebtedness. As such, Shares will rank junior to all indebtedness and other non-equity claims on us with respect to assets available to satisfy claims on us, including in a liquidation of us. Additionally, holders of our Shares may be subject to prior dividend and liquidation rights of any holders of our preferred stock or depositary shares representing such preferred stock then outstanding.

Our Shares will rank junior to our convertible preferred stock, if any, with respect to the payment of dividends and amounts payable in the event of our liquidation, dissolution or winding-up of our affairs. This means that no dividends may be declared or paid on our Shares, and we will not be permitted to repurchase any of our Shares subject to limited exceptions. Likewise, in the event of our voluntary or involuntary liquidation, dissolution or winding-up of our affairs, no distribution of our assets may be made to holders of our Shares until immediately prior to such liquidation. Our Board is authorised to issue additional classes or series of preferred stock without any action on the part of the shareholders. Our Board also has the power, without shareholders' approval, to set the terms of any such classes or series of preferred stock that may be issued, including voting rights, dividend rights, and preferences over our Shares with respect to dividends or upon our dissolution, winding-up and liquidation and other terms. If we issue preferred stock in the future that has a preference over our Shares with respect to the payment of dividends or upon our liquidation, dissolution, or winding up, or if we issue preferred stock with voting rights that dilute the voting power of our Shares, the rights of holders of our Shares or the market price of our Shares could be adversely affected.

## RISK FACTORS

**You must rely on the judgment of our management as to the use of the net proceeds from this offering, and such use may not produce income or increase the price of our Shares.**

We currently plan to use the net proceeds of this offering to upgrade our IDC Solution Services by investing in BMS and develop an edge computing platform. Our management will have considerable discretion in the application of the net proceeds received by us. You will not have the opportunity, as part of your investment decision, to assess whether proceeds are being used appropriately. The net proceeds may be used for corporate purposes that do not improve our efforts to achieve or maintain profitability or increase the price of our Shares. The net proceeds from this offering may be placed in investments that do not produce income or that lose value.

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

We are an exempted company limited by shares incorporated under the laws of the Cayman Islands. We conduct the entire operations in the PRC and all of our assets are located in the PRC. In addition, some of our Directors and executive officers and the experts named in this prospectus do not reside within Hong Kong, and most of their assets are not located in Hong Kong. As a result, it may be difficult or impossible for you to bring an action against us or against them in Hong Kong in the event that you believe that your rights have been infringed under Hong Kong laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands or other relevant jurisdiction may render you unable to enforce a judgment against our assets or the assets of our Directors and officers.

There is no statutory enforcement in the Cayman Islands of judgments obtained in the Hong Kong courts. A judgment obtained in such jurisdiction will be recognised and enforced in the courts of the Cayman Islands, without any re-examination or re-litigation of the matters adjudicated upon, provided such judgment (a) is given by a foreign court of competent jurisdiction; (b) is not obtained by fraud; (c) is final and conclusive; (d) is not in respect of taxes, a fine or a penalty; and (e) is not of a kind the enforcement of which is contrary to public policy of the Cayman Islands.

**You may face difficulties in protecting your interests, and your ability to protect your rights through Hong Kong courts may be limited, because we are incorporated under Cayman Islands law.**

We are an exempted company limited by shares incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our Memorandum and Articles of Association, the Cayman Companies Act and the common law of the Cayman Islands. The rights of shareholders to take action against our Directors, actions by minority shareholders and the fiduciary duties of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman

## RISK FACTORS

Islands. The rights of our shareholders and the fiduciary duties of our Directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States or the Hong Kong courts. In particular, the Cayman Islands has a less developed body of securities laws than Hong Kong. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in Hong Kong courts.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of register of members of these companies. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder resolution or to solicit proxies from other shareholders in connection with a proxy contest.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the Board of Directors or Controlling Shareholders than they would as public shareholders of a company incorporated in Hong Kong.

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

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

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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

### MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. Since our headquarters, senior management, business operations and assets are not principally located, managed or conducted in Hong Kong and will continue to be located, managed or conducted outside Hong Kong, our Company does not, and for the foreseeable future, will not, have two executive Directors who are ordinarily resident in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements set out in Rule 8.12 of the Listing Rules. We have made the following arrangements to maintain effective communication between the Stock Exchange and our Company:

- (a) pursuant to Rule 3.05 of the Listing Rules, our Company has appointed and will continue to maintain two authorised representatives to be the principal communication channel at all times between the Stock Exchange and our Company. The two authorised representatives appointed by our Company are Mr. Ji Lijun (our executive Director) and Ms. Lam Chi Ching Cecilia (a joint company secretary of our Company) (the “**Authorised Representatives**”). The Authorised Representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with any enquiries which may be made by the Stock Exchange. Each of the two Authorised Representatives is authorised to communicate on behalf of our Company with the Stock Exchange;
- (b) the Authorised Representatives have means to contact all the Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters;
- (c) each Director has provided his or her up-to-date home, office, mobile and other phone numbers, email address, correspondence address and facsimile number (if available) to the Authorised Representatives and the Stock Exchange, and in the event that any Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his or her accommodation to the Authorised Representatives;
- (d) our Company will, in compliance with Rule 3A.19 of the Listing Rules, appoint SPDB International Capital Limited, to act as the compliance adviser of our Company (the “**Compliance Adviser**”) who will act as an additional channel of communication between the Stock Exchange and our Company for the period commencing from the Listing Date and ending on the date that our Company publishes its financial results for

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

the first full financial year after the Listing Date pursuant to Rule 13.46 of the Listing Rules. The Compliance Adviser will advise us on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after Listing and have full access at all times to the Authorised Representative and our Directors;

- (e) any meetings between the Stock Exchange and our Directors may be arranged through the Authorised Representatives or the Compliance Adviser or directly with our Directors within a reasonable time frame;
- (f) the Company will inform the Stock Exchange as soon as practicable in respect of any changes to the contact details of the Authorised Representatives, our Directors or the Compliance Adviser;
- (g) subject to travel restrictions or quarantine requirements imposed by the PRC or Hong Kong governments, all Directors and the Authorised Representatives have confirmed that they possess or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and, when required, meet with the Stock Exchange upon reasonable notice; and
- (h) the Company will retain a Hong Kong legal adviser to advise the Company on the compliance with the Listing Rules and other applicable Hong Kong laws and regulations after the Listing.

### **JOINT COMPANY SECRETARIES**

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

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

Note 2 to Rule 3.28 of the Listing Rules further sets out the factors that the Stock Exchange will consider in assessing an individual's "relevant experience":

- (a) length of employment with the issuer and other issuers and the roles he or she played;



## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

Our Company considers that while it is important for the company secretary to be familiar with the relevant securities regulation in Hong Kong, he/she also needs to have experience relevant to our Company's operations, nexus to the Board and a close working relationship with the management of our Company in order to perform the function of a company secretary and to take the necessary actions in the most effective and efficient manner. It is for the benefit of our Company to appoint a person who has been a member of the senior management for a period of time and is familiar with our Company's business and affairs as company secretary.

We have appointed Mr. Ji Lijun, the executive Director, as one of the joint company secretaries of our Company. Mr. Ji has extensive experience in matters concerning the Board and our corporate governance. However, Mr. Ji does not possess the specified qualifications strictly required under Rule 3.28 of the Listing Rules and, thus, may not be able to fulfil the requirements of the Listing Rules on his own. Therefore we also appointed Ms. Lam Chi Ching Cecilia, a solicitor as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong), who meets relevant requirements under Rule 3.28 of the Listing Rules to act as our joint company secretary and to work closely with and provide support and assistance to Mr. Ji, for an initial period of three years from the Listing Date so as to enable Mr. Ji to acquire the relevant experience as required under Note 2 to Rule 3.28 of the Listing Rules to duly discharge his duties.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules for an initial period of three years from the Listing Date. Such Waiver will be subject to the following conditions: (i) Mr. Ji will be assisted by Ms. Lam, who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and will serve as the joint company secretary of our Company throughout the three-year waiver period; (ii) Mr. Ji will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will endeavor to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules which will be organised by our Company's Hong Kong legal advisers on an invitation basis and seminars organised by the Stock Exchange for listed issuers from time to time; and (iii) such waiver can be revoked if there are any material breaches of the Listing Rules by us. Prior to the expiry of the three-year period, the qualifications and experience of Mr. Ji and the necessity for the on-going assistance will be further evaluated by the Company, and the Company will then liaise with the Stock Exchange to assess whether Mr. Ji, having had the benefit of Ms. Lam's assistance for the three preceding years, has acquired the skills necessary to carry out the duties of company



## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules such that a further waiver from Rules 3.28 and 8.17 of the Listing Rules will not be necessary.

For further details, please refer to the section headed “Directors and Senior Management” regarding the qualifications and experience of Mr. Ji and Ms. Lam in this prospectus.

### **CONTINUING CONNECTED TRANSACTIONS**

We have entered into certain transaction(s), which would constitute continuing connected transactions subject to annual reporting, annual review, announcement, circular and independent Shareholders’ approval requirements, namely non-exempt continuing connected transactions under Chapter 14A of the Listing Rules after the Listing. Accordingly, we have applied to, and the Stock Exchange has granted, waivers to certain continuing connected transactions from straight compliance with Chapter 14A of the Listing Rules. Details about such transactions together with the application for a waiver from strict compliance with the relevant announcement, circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules are set out in the section headed “Connected Transactions” in this prospectus.

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

This prospectus, for which our Directors (including any proposed director who is named as such in this Prospectus) 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 and the Listing Rules for the purpose of giving information to the public with regard to the Group. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

## **THIS HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS**

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus sets out the terms and conditions of the Hong Kong Public Offering. See “How to Apply for the Hong Kong Offer Shares” in this prospectus for further details of the procedures for applying for the Hong Kong Offer Shares.

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

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around 12 June 2024.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

## **STRUCTURE OF THE GLOBAL OFFERING AND UNDERWRITING**

See “Structure of the Global Offering” for further details of the structure of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option and stabilisation. The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or around 12 June 2024 among the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the International Underwriters, the Selling Shareholder, our executive Directors, our Controlling Shareholders and us. The Global Offering is managed by the Sponsor-Overall Coordinator, the Overall Coordinators and the Joint Global Coordinators. See “Underwriting” for further details of the Underwriters and the underwriting arrangements.

## **SALE OF THE SALE SHARES BY THE SELLING SHAREHOLDER**

The Offer Shares consist of 30,000,000 Sale Shares being sold by the Selling Shareholder. We estimate that the net proceeds to the Selling Shareholder from the sale of the Sale Shares (after deduction of proportional underwriting fees and estimated expenses payable by the Selling Shareholder in relation to the Offer Shares), will be approximately HK\$133.9 million. We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholder.

Details of the Selling Shareholder are set out in the paragraph headed “Statutory and General Information — 13. Particulars of the Selling Shareholder” in Appendix IV to this prospectus.

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

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of the Hong Kong Offer Shares to, confirm that he/she is aware of the restrictions on offers and sales of the Shares described in this prospectus and that he/she is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

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. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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

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

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, 14 June 2024. Save as disclosed in this prospectus, no part of our Shares or loan capital is listed or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on any other stock exchange as at the date of this prospectus. All the Offer Shares will be registered on the Hong Kong register of members of the Company in order to enable them to be traded on the Stock Exchange.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Offer Shares or exercising rights attached to them. None of us, the Selling Shareholder, the Sole Sponsor, the Sponsor-Overall Coordinator, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their respective directors, officers, employees, partners, agents, advisers or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchasing, holding, disposition of, or dealing in, the Offer Shares or exercising any rights attached to them.

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

Our Company's principal register of members will be maintained by its principal share registrar, Ogier Global (Cayman) Limited in the Cayman Islands. All of the Offer Shares issued pursuant to the Global Offering will be registered on the Company's Hong Kong share register to be maintained in Hong Kong by its Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Dealings in the Shares registered in the Company's Hong Kong share register will be subject to Hong Kong stamp duty.

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the Hong Kong share register of the Company, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

### **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 date of commencement of dealings in the Shares on the Stock Exchange or on any

## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

### **PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES**

For procedures for applying for Hong Kong Offer Shares, see “How to Apply for the Hong Kong Offer Shares”.

### **EXCHANGE RATE CONVERSION**

Unless otherwise specified, this prospectus contains certain translations for the convenience purposes at the following rates: Renminbi into Hong Kong dollars at the rate of HK\$1.00 to RMB0.91, Renminbi into U.S. dollars at the rate of US\$1.00 to RMB7.10 and Hong Kong dollars into U.S. dollars at the rate of US\$1.00 to HK\$7.84.

No representation is made that any amounts in RMB or Hong Kong dollars can be or could have been at the relevant dates converted at the above rate or any other rates or at all.

### **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the names of any of the entities mentioned in this prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

### **ROUNDING**

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

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

**DIRECTORS**

Name	Address	Nationality
<b>Executive Directors</b>		
SUN Tao (孫濤)	Room 2001 No. 89 Rongke Jiujiu Shijia Binhu District Wuxi, Jiangsu PRC	Chinese
JIANG Yanqiu (蔣燕秋)	Room 402 No. 34 Xincheng Garden Binhu District Wuxi, Jiangsu PRC	Chinese
JI Lijun (季黎俊)	Room 202 No. 77 Jiazhou Huayuan Yangfang Wenhui Road Huishan District Wuxi, Jiangsu PRC	Chinese
ZHU Wentao (朱文濤)	Room 701, Unit 30 Boyuewan Yayuan Jiangxi Street Xinwu District Wuxi, Jiangsu PRC	Chinese
<b>Independent Non-executive Directors</b>		
IP Mun Lam (葉滿林)	Room 19H Tower 2B, Seanorama 1 Choi Sha Street Ma On Shan New Territories Hong Kong	Chinese

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
CUI Qi (崔琦)	Room 1902 Block 2 Evergrande Jade Court No. 142 Yingyuan South Road Xuanwu District Nanjing PRC	Chinese
ZHAO Hong (趙竑)	Room 1901 No. 8, Lane 1399 Guangfu Road Jingan District Shanghai PRC	Chinese

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

### PARTIES INVOLVED IN THE GLOBAL OFFERING

<b>Sole Sponsor and Sponsor-Overall Coordinator</b>	<b>SPDB International Capital Limited</b> 33/F, SPD Bank Tower One Hennessy 1 Hennessy Road Hong Kong
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<b>Overall Coordinators, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and CMIs</b>	<b>SPDB International Capital Limited</b> 33/F, SPD Bank Tower One Hennessy 1 Hennessy Road Hong Kong
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<b>CMB International Capital Limited</b> 45/F, Champion Tower 3 Garden Road Central Hong Kong
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<b>Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and CMIs</b>	<b>CLSA Limited</b> 18/F, One Pacific Place 88 Queensway Hong Kong
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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

### **Joint Bookrunners, Joint Lead Managers and CMI**

**CEB International Capital Corporation Limited**  
35/F, Everbright Centre  
108 Gloucester Road  
Wan Chai  
Hong Kong

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

**Essence International Securities (Hong Kong) Limited**  
39/F, One Exchange Square  
Central  
Hong Kong

**First Shanghai Securities Limited**  
19/F, Wing On House  
71 Des Voeux Road Central  
Hong Kong

**CMBC Securities Company Limited**  
45/F, One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**CCB International Capital Limited**  
12/F, CCB Tower  
3 Connaught Road Central  
Central  
Hong Kong

**Fosun International Securities Limited**  
Suite 2101–2105,  
21/F Champion Tower  
3 Garden Road,  
Central, Hong Kong

**Futu Securities International (Hong Kong) Limited**  
34/F, United Centre  
No. 95 Queensway  
Admiralty  
Hong Kong

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal Advisers to our Company** *As to Hong Kong law*  
**Zhong Lun Law Firm LLP**  
4/F, Jardine House  
No. 1 Connaught Place  
Central  
Hong Kong

*As to PRC law*  
**Zhong Lun Law Firm**  
22–31/F, South Tower of CP Centre  
20 Jin He East Avenue  
Chaoyang District  
Beijing 100020  
PRC

*As to Cayman Islands law*  
**Ogier**  
11/F, Central Tower  
28 Queen's Road Central  
Central  
Hong Kong

*As to International Sanctions laws*  
**Stephen Peepels, Esq.**  
51 Tung Street, 1st Floor  
Meehan House  
Sheung Wan  
Hong Kong

*As to specific issue under PRC law*  
**Beijing Dacheng Law Offices, LLP**  
16–21F, Tower B, ZT International Center  
No. 10, Chaoyangmen Nandajie  
Chaoyang District  
Beijing  
PRC

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

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

*As to Hong Kong law*  
**King & Wood Mallesons**  
13/F, Gloucester Tower, The Landmark  
15 Queen's Road Central  
Central  
Hong Kong

*As to PRC law*  
**King & Wood Mallesons**  
25/F, Guangzhou CTF Finance Centre  
No. 6 Zhujiang East Road  
Zhujiang New Town, Tianhe District  
Guangzhou  
Guangdong  
PRC

**Reporting Accountant and  
independent auditor**

**Ernst & Young**  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

**Industry consultant**

**Frost & Sullivan (Beijing) Inc.,  
Shanghai Branch Co.**  
Suite 2504, Wheelock Square  
No. 1717 Nanjing West Road  
Jingan District  
Shanghai  
PRC

**Receiving bank**

**CMB Wing Lung Bank**  
19th Floor, Wing Lung Bank Tower  
45 Des Voeux Road Central  
Hong Kong

## CORPORATE INFORMATION

<b>Registered Office in the Cayman Islands</b>	89 Nexus Way, Camana Bay Grand Cayman, KY1-9009 Cayman Islands
<b>Headquarter and Principal Place of Business in the PRC</b>	2-601, Tian An Intelligence Park 228 Linghu Avenue Xinwu District Wuxi, Jiangsu PRC
<b>Principal Place of Business in Hong Kong</b>	4/F, Jardine House No. 1 Connaught Place Central Hong Kong
<b>Company Website</b>	<a href="http://www.cloudcsp.com">http://www.cloudcsp.com</a> <i>(the information contained on this website does not form part of this prospectus)</i>
<b>Joint Company Secretaries</b>	JI Lijun Room 202 No. 77 Jiazhou Huayuan Yangfang Huishan District Wuxi, Jiangsu PRC  Lam Chi Ching Cecilia <i>Solicitor of the High Court of Hong Kong</i> 4/F, Jardine House No. 1 Connaught Place Central Hong Kong
<b>Authorised Representatives (for the purpose of the Listing Rules)</b>	JI Lijun Room 202 No. 77 Jiazhou Huayuan Yangfang Huishan District Wuxi, Jiangsu PRC

## CORPORATE INFORMATION

Lam Chi Ching Cecilia  
*Solicitor of the High Court of Hong Kong*  
4/F, Jardine House  
No. 1 Connaught Place  
Central  
Hong Kong

**Audit Committee**

ZHAO Hong (趙竑) (*Chairperson*)  
CUI Qi (崔琦)  
IP Mun Lam (葉滿林)

**Remuneration Committee**

CUI Qi (崔琦) (*Chairman*)  
JI Lijun (季黎俊)  
IP Mun Lam (葉滿林)

**Nomination Committee**

SUN Tao (孫濤) (*Chairman*)  
CUI Qi (崔琦)  
ZHAO Hong (趙竑)

**Principal Share Registrar  
and Transfer Office**

**Ogier Global (Cayman) Limited**  
89 Nexus Way, Camana Bay  
Grand Cayman, KY1-9009  
Cayman Islands

**Hong Kong Share Registrar**

**Computershare Hong Kong Investor Services Limited**  
Shops 1712–1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

**Compliance Adviser**

**SPDB International Capital Limited**  
33/F, SPD Bank Tower  
One Hennessy  
1 Hennessy Road  
Hong Kong

**Principal Bank**

**Shanghai Pudong Development Bank Co. Ltd  
(Wuxi Xinqu Branch)**  
180-12 Changjiang North Road  
Xinwu District  
Wuxi  
Jiangsu Province, PRC

## INDUSTRY OVERVIEW

**The information contained in this section, unless otherwise indicated, has been derived from various official government publications and other publications generally believed to be reliable and the market research report prepared by Frost & Sullivan which we commissioned. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. None of our Company, the Selling Shareholder, the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters or any of our or their respective directors, officers or representatives or any other person involved in the Global Offering, has independently verified information from official government sources nor give any representation as to the accuracy or completeness of such information. As such, you should not unduly rely upon such information in making, or refraining from making, any investment decision.**

### SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the Internet data centre business market and IDC solution service market in the PRC. The report prepared by Frost & Sullivan for us is referred to in this listing document as the Frost and Sullivan Report. We agreed to pay Frost & Sullivan a fee of RMB590,000 which we believe reflects market rates for reports of this type.

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy.

We have included certain information from the Industry Report in this prospectus because we believe this information facilitates an understanding of the Internet data centre business market and IDC solution service market in the PRC for prospective investors. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the PRC Internet data centre business market and IDC solution service market. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Industry Report, various official government publications and other publications.

In compiling and preparing the research, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the steady development of the Internet data centre business market and IDC solution service market in the PRC.

## INDUSTRY OVERVIEW

The Directors confirm that, to the best of their knowledge and belief, there has been no adverse change in the market information since the date of the Frost and Sullivan Report which may qualify, contradict or materially impact the information of this section.

### OVERVIEW OF INTERNET DATA CENTRE BUSINESS MARKET AND IDC SOLUTION SERVICE MARKET IN THE PRC

#### Definition and classification

Internet data centre (“IDC”) refers to a facility designated to house server and storage and associated networking equipment which is used to organise, process, store and disseminate large volumes of data. Internet data centre can be outsourced to professional data centre service providers, who typically provide service in two models: colocation services which include the provision of basic infrastructure such as power supply, cooling and ventilating, and connection to the Internet for server custody; and infrastructure management services which include the full suite of data centre management services such as server monitoring, management and maintenance services, server load balancing service, emergency and disaster recovery, and firewall services.

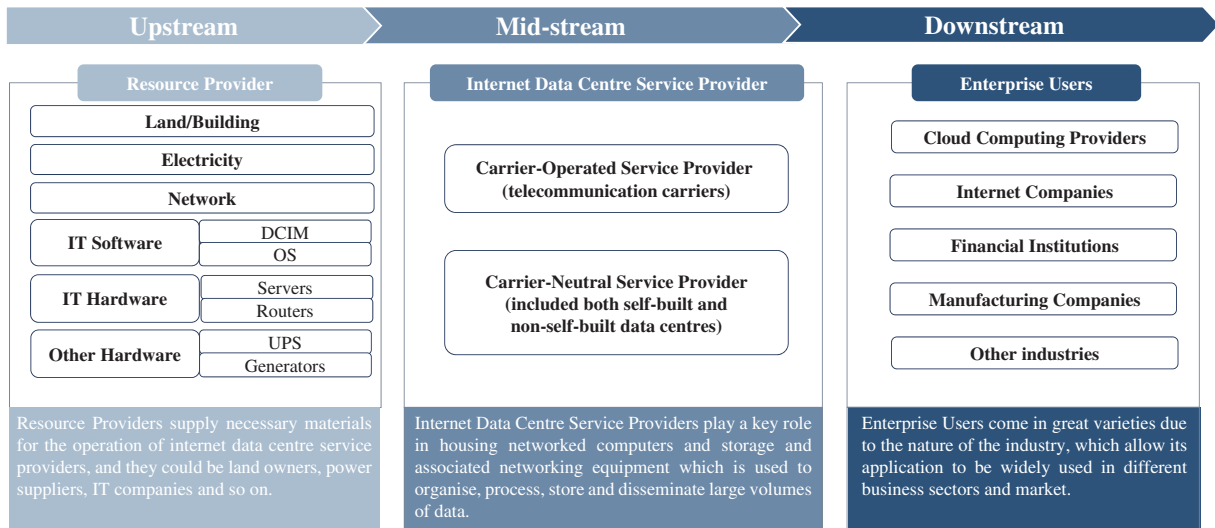
Internet data centre can be categorised by types of carrier access, namely carrier-operated or carrier-neutral data centres. A carrier-operated data centre offers access to only one carrier that controls access to the facility. In China, carrier-operated data centres are dominated by the three state-owned telecommunication carriers, namely China Telecom, China Unicom and China Mobile, which develop data centres in part to facilitate the sale of related network services. On the other hand, carrier-neutral data centres may offer access to multiple network service carriers which allow their clients to enjoy the flexibility and redundancy of having access to more than one carrier.

Carrier-neutral data centre service providers may build and develop their own data centres (“**self-built**”) or managed data centre space and cabinets owned by the three state-owned telecommunication carriers or other third parties (“**non-self-built**”). It is common for a single data centre service provider to have both self-built and non-self-built data centre. Market players with majority of their managed data centre space and cabinets owned by third parties are considered to be running a more client-driven business model than their competitors and generally offer the following advantages: (i) lower capital requirement given they do not engage in building and developing data centres and thus incur less relevant cost in acquiring property and construction of the data centres; (ii) better risk management as they do not own the data centre property; and (iii) more flexible and scalable as their services are not confined by locations of self-built data centres.



## INDUSTRY OVERVIEW

The following diagram sets out the value chain of Internet data centre industry in the PRC:



Source: Frost & Sullivan

Carrier-neutral data centres procure fibre resources from telecommunication carriers to meet their bandwidth needs. Carrier-neutral data centres may also acquire their network access from multiple telecommunication carriers to make their networks more efficient. It is a common market practice for state-owned telecommunication carriers to procure services from independent parties which have the relevant and reliable expertise. Common services procured include ICT services, such as the development of applications or platforms, network management, system integration and more.

In recent years, the data centre market share of telecommunication carriers has been gradually squeezed by carrier-neutral data centres. Telecommunication carriers in the PRC mainly make decisions on the site selection and construction scale of the new data centre from the group head office, which lead to slow response to market change, partial imbalance between supply and demand, and mismatch with needs of the market. Meanwhile, the industry is under pressure to reduce carbon emissions and inefficient data centres are becoming a burden as their energy costs rise. In addition, telecommunication carriers adopt a unified management approach to provide standardised products to clients. Their business model and development characteristics make it difficult for them to be as flexible and professional in the field of data centre services as carrier-neutral data centre solution providers.

For carrier-neutral data centres, they generally focus on providing one-stop services to their clients and improving their service and expertise, security, reliability and functionality, reputation and brand awareness, as well as geographic coverage. In addition, carrier-neutral data centres can provide multi-interface network access, which can meet the personalised needs of clients and respond to market demands more quickly.

### Data Transmission in IDCs

Data is transmitted among end-users in IDCs by typically involving a client-server model.

1. **Data Request:** An end-user initiates a data request by accessing a website, sending an email, or using an application that requires data from the IDC.
2. **Client-Side Processing:** The end-user's device prepares the data request by packaging it into packets. This can involve breaking down the request into smaller units, adding headers, and applying necessary protocols.
3. **Local Network:** The end-user's device connects to the local network, which may involve connecting to a Wi-Fi network, a local area network, or a wide area network provided by an ICP. The device's network interface communicates with the router to send the data packets.
4. **Routing:** The data packets are routed through the local network infrastructure, which may include switches, routers, and gateways. These devices direct the packets towards the IDC's network.
5. **Internet Backbone:** Once the data packets leave the local network, they traverse the Internet backbone, which is a network of interconnected routers and fiber optic cables. The packets are forwarded across various networks and independent service providers to reach the IDC's network.
6. **IDC Network:** Upon reaching the IDC, the data packets are received by routers and switches within the IDC's network infrastructure. These devices route the packets to the appropriate destination within the data center based on the destination address.
7. **Server-Side Processing:** The data packets reach the server responsible for processing the request. The server processes the request, retrieves the necessary data from storage systems (such as databases or file servers), and prepares a response.
8. **Response Transmission:** The server packages the response into data packets and sends them back to the end-user's device through the IDC's network infrastructure, following a similar routing process as described above.
9. **Client-Side Processing:** The end-user's device receives the response packets and processes them. This can involve reassembling the packets into a complete response, interpreting the data, and rendering it for the user to consume.

### Comparison of Data Transmission between IDCs and Edge Computing

In both IDCs and edge computing, data is transmitted using various networking technologies. The specific technologies and protocols used for data transmission can vary depending on the infrastructure, network architecture, and requirements of the IDC or edge computing environment.

In IDCs, data is typically transmitted using a combination of wired and fiber optic communication technologies. The data transmission process is as follows:

1. **Data Input:** Data is generated by users accessing online services or by devices and sensors that are connected to the Internet. This data is typically in the form of packets.
2. **Routing:** The data packets are routed through the local network infrastructure within the IDC. This involves switches, routers, and other networking equipment that direct the packets to their intended destinations.
3. **Backbone Connectivity:** IDCs are connected to the Internet backbone through high-speed connections. These connections are usually established via ICPs or dedicated network providers. Fiber optic cables are commonly used for long-distance and high-bandwidth data transmission.
4. **External Routing:** Once the data packets reach the IDC's connection point to the Internet backbone, they are routed through various networks and routers to reach their destination. This may involve passing through multiple ICPs and network nodes.
5. **Data Processing:** Upon reaching the destination IDC or server, the data packets are processed by the servers and applications running within the data center. This may involve storage, computation, database queries, or other operations.

In the data transmission flow of edge computing, caches can be applied at different stages to improve performance and reduce latency.

- Edge nodes, positioned at the network's periphery, can incorporate local caches to store frequently accessed data or content that is likely to be requested by users in that specific edge location. Upon receiving a data request, the edge node can first check its local cache. If the requested data is available in the cache, it can be directly served from the edge node, minimising the need to retrieve it from the centralised cloud or data center. This cache utilisation reduces latency and enhances response times, as the data is in close proximity to the user.
- Additionally, caches can be employed during data transmission between edge nodes or from the edge to the centralised cloud or data centre. These caches can be placed at transit hubs or network points along the data path to temporarily store and serve frequently requested data. By doing so, the necessity to retrieve the data from the original source for subsequent requests is reduced, thereby enhancing overall transmission speed and efficiency.

### **Difference in the Technology Adopted for IDCs and Edge Computing**

IDCs and edge computing employ different technologies and architectures to meet their distinct requirements.

**Infrastructure Location:** IDCs are centralised facilities designed to handle large-scale data processing, storage and network connectivity. They are typically located in secure, climate-controlled buildings with robust power and cooling systems. In contrast, edge computing brings computing resources closer to the data source or end-users. Edge devices and servers are deployed at the network edge, which can include locations such as cell towers, factory floors, retail stores, or IoT devices.

**Data Processing and Storage:** IDCs are optimised for high-performance computing and storage. They often employ large-scale server farms with powerful processors, massive storage arrays, and specialised hardware accelerators. IDCs are designed to handle demanding workloads and support applications that require extensive processing and storage capabilities. On the other hand, edge computing focuses on processing data locally at the edge devices or servers. These devices are often resource-constrained compared to IDCs but provide low-latency processing for real-time or time-sensitive applications.

**Network Connectivity:** IDCs rely on high-bandwidth, low-latency network connections to provide connectivity to the Internet backbone. They typically employ high-speed fiber optic links and establish connections with multiple ICPs for redundancy and improved performance. In edge computing, network connectivity requirements vary depending on the specific edge deployment. It can involve wired connections, wireless technologies like Wi-Fi or cellular networks, or dedicated links. Edge devices often have limited bandwidth and may operate in intermittent or unreliable network conditions.

**Latency and Response Time:** IDCs are designed to handle large volumes of data and serve geographically dispersed users. While IDCs strive to minimise latency, the distance between the data center and the end-users can introduce some delay. Edge computing, on the other hand, aims to reduce latency by processing data closer to the data source or end-users. This proximity enables faster response times and improved user experiences for latency-sensitive applications.

**Scalability and Flexibility:** IDCs are built to scale horizontally by adding more servers and storage infrastructure to meet increasing demand. They offer the ability to provide resources dynamically and adapt to changing workloads. Edge computing, due to its distributed nature, typically requires more localised scalability. Edge devices can be added or removed from the network to accommodate changes in demand or data sources.

**Data Security and Privacy:** IDCs typically have robust security measures in place to protect data, including physical security, firewalls, intrusion detection systems, and encryption protocols. Data in IDCs is often subject to strict compliance requirements. In edge computing, data security

and privacy considerations are still important but can differ based on the specific edge deployment. Edge devices may have limited physical security and require additional measures to ensure data confidentiality and integrity.

### **The Different Needs Served by Edge Computing and IDCs**

Edge computing and IDCs serve different needs in the computing landscape, and therefore do not compete with each other. Edge computing focuses on localised processing, low latency, and real-time analytics, while IDCs are designed for large-scale data processing, centralised services, and scalability. Edge computing and IDCs have their strengths and are often used in combination to create a hybrid computing infrastructure that optimises performance and efficiency based on specific application requirements. The comparison between edge computing and IDCs are as follows:

- **Location and Proximity:** Edge computing refers to the practice of processing and storing data closer to the data source or end-user, typically at the network edge. It involves deploying computing resources (servers, storage, and networking) in proximity to where the data is generated or consumed. On the other hand, IDCs are centralised facilities that house a large number of servers and other infrastructure components, often located in a specific geographic area.
- **Latency and Response Time:** Edge computing aims to reduce latency and improve response times by processing data locally, thereby minimising the delay caused by long-distance communication with a centralised data center. By bringing computing resources closer to the data source or end-users, edge computing enables faster processing and real-time decision-making. In contrast, IDCs are optimised for large-scale data processing and storage but may have higher latency due to the potential for longer network distances.
- **Data Processing and Workload:** While IDCs are designed to handle massive workloads and process vast amounts of data, edge computing focuses on localised processing and real-time analytics. Edge computing is particularly useful for applications that require immediate data processing, such as IoT devices, autonomous vehicles, and industrial automation. IDCs, on the other hand, are well-suited for applications that involve heavy computation, big data analytics, and centralised services like cloud computing.
- **Bandwidth and Network Traffic:** Edge computing can alleviate the strain on network bandwidth by processing data locally and sending only relevant information to the centralised data center. This approach reduces the amount of data that needs to be transmitted over the network, leading to more efficient network usage. IDCs, being central points of data processing and storage, typically handle large volumes of network traffic, which may require robust network infrastructure and high bandwidth connectivity.
- **Redundancy and Scalability:** IDCs often incorporate redundancy measures and high-availability configurations to ensure continuous operations and minimise downtime. They are designed for scalability and can accommodate the increasing demand for resources in

## INDUSTRY OVERVIEW

a centralised manner. In contrast, edge computing may involve a distributed network of smaller-scale computing resources, which can provide localised redundancy and scalability but may require additional coordination and management.

Edge Computing and IDCs together establish a flexible, efficient, and scalable computing and data infrastructure to meet the growing demands of various applications, including cloud computing, IoT, and big data applications.

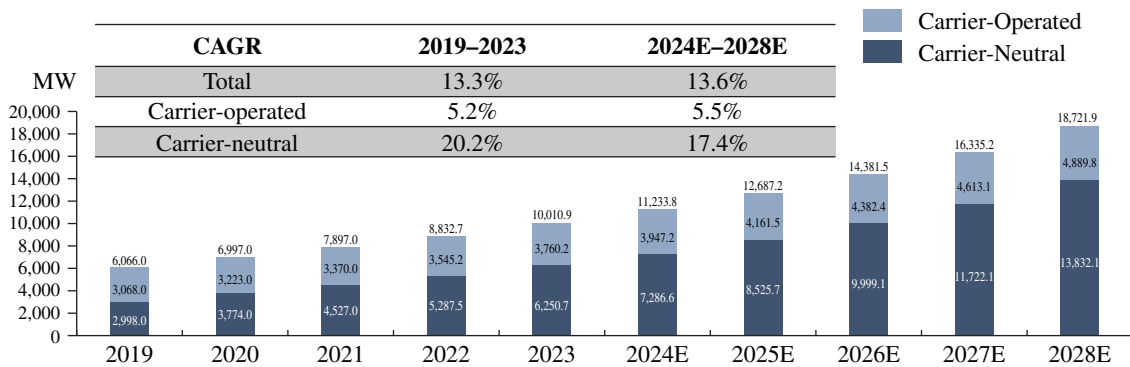
IDCs excel in hosting large-scale applications, cloud services, and centralised data storage. They cater to a wide range of services, including web hosting, cloud computing, SaaS (Software-as-a-Service), and data-intensive applications. IDCs usually cater to the needs of large-scale cloud services providers in first-tier and second-tier cities. Edge computing, on the other hand, is specifically designed for applications that demand low latency, real-time processing, and localised data management. It is particularly valuable for IoT deployments, autonomous systems, video streaming, and immersive experiences that require immediate and localised responses. Other applications in second-tier and third-tier cities also include e-commerce, gaming, social media, audio and education.

### **Market size**

Rapid development of technology, such as cloud computing, blockchain and IoT, significantly promoted the growth of Internet data centre industry in the PRC. The market size of the Internet data centre industry in the PRC in terms of capacity increased from 6,066.0 MW in 2019 to 10,010.9 MW in 2023, representing a CAGR of 13.3% from 2019 to 2023. The total capacity is expected to reach 18,721.9 MW by 2028, growing at a CAGR of 13.6% from 2024 to 2028. The market size of data centre services industry increased from RMB87.8 billion in 2019 to RMB240.7 billion in 2023, representing a CAGR of 28.7% from 2019 to 2023. Moving forward, China's data centre services are expected to grow at a CAGR of 12.8% from RMB263.3 billion in 2024 to RMB426.8 billion in 2028. Among data centre service market, the carrier-neutral data centre services market has gained growing momentum in the past few years and the market share of carrier-operated data centre market has been gradually reduced, mainly due to the advantages of multi-network access and the continuous improvement of quality of service of carrier-neutral data centres.

## INDUSTRY OVERVIEW

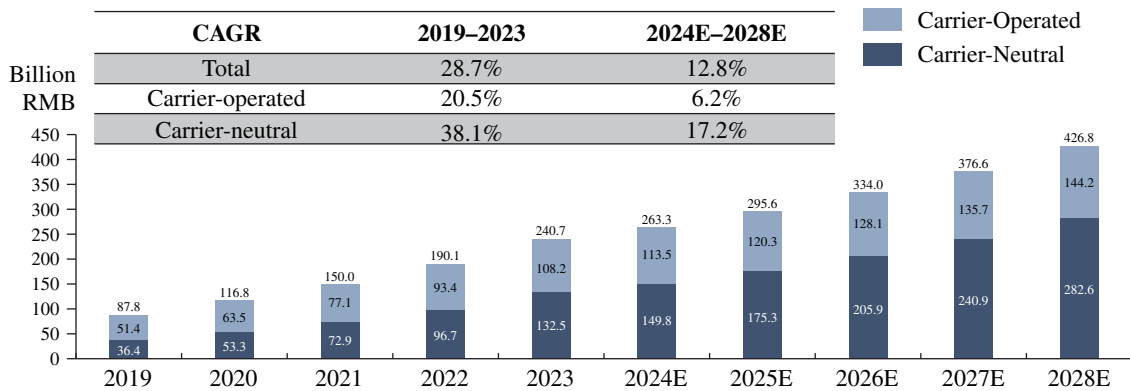
### Market Size of Internet Data Centre Industry by Capacity in the PRC, 2019–2028E



*Note:* MW refers to megawatt, a unit of measuring electricity consumption and is indicative of the capacity of a data centre

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

### Market Size of Internet Data Centre Business Market by Revenue in the PRC, 2019–2028E



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

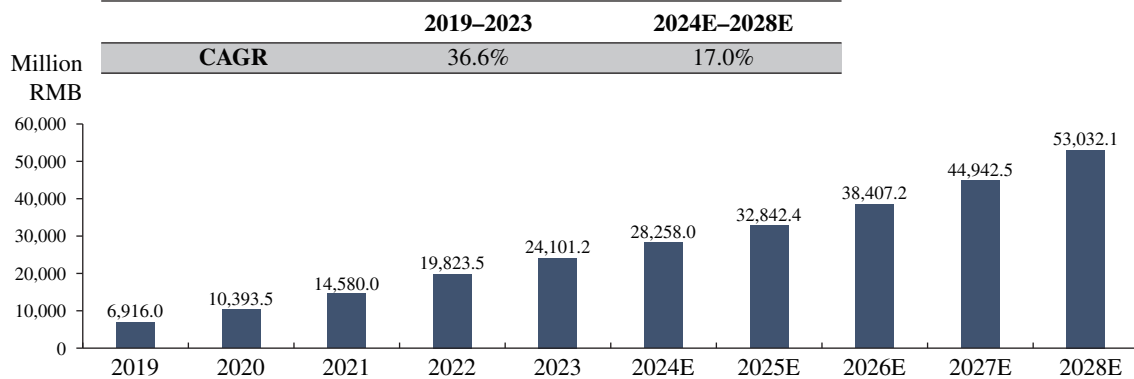
For smaller businesses that lack the means to invest in their own data centre infrastructure, using non-self-built data centres can result in cost savings compared to the expenses of constructing and managing one in-house. The cost savings and flexibility of business model further promote the growth of non-self-built data centres in the PRC. The market size of Internet data centre solutions service industry in the PRC is expected to rise at a CAGR of 17.0% from 2024 to 2028.

In addition, following the growing demand for data centre services, coupled with government support, the market size of Internet data centre solutions service industry in the PRC increased from RMB6,916.0 million in 2019 to RMB24,101.2 million in 2023, at a CAGR of 36.6%.



## INDUSTRY OVERVIEW

### Market Size of IDC Solution Services Market by Revenue in the PRC, 2019–2028E



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

### Market drivers, opportunities and trends

*Implementation of 5G Network* — As 5G network begins its commercialisation progress, the speed of mobile connectivity will be greatly enhanced, facilitating the growth of mobile applications reliant upon data centre. 5G networks offer significantly higher data speeds and lower latency compared to previous generations of mobile networks. This enables faster downloads, smoother streaming, and improved user experiences for mobile applications and services. As a result, users are likely to consume more data, leading to increased data traffic that needs to be processed and stored in data centre, which is likely to fuel the demand for data centre services. 5G networks also provide enhanced connectivity and support for a massive number of Internet of Things (IoT) devices. These devices generate vast amounts of data that require processing, analysis, and storage. Data centres play a crucial role in handling the data generated by IoT devices, as they provide the infrastructure for managing and processing IoT data.

*Rapid Growth of Cloud Service Utilisation and Demand from Internet Giants* — Cloud computing revolutionises the way IT resources are being deployed, configured, and managed. With the increase in the use of cloud computing, storage environment has also changed. The increasing number of users, AI adoption and more devices are pushing the storage environment to a new level. As the number of users accessing online services, websites, and applications increases, the overall data consumption rises. Each user generates data through various activities such as browsing the websites, streaming videos, uploading files, and interacting with online platforms. Such data needs to be processed, stored, and delivered efficiently, which drives the demand for data centres services. AI applications often involve complex algorithms and models that require substantial computational power and storage capacity. Training deep learning models, running machine learning algorithms, and performing real-time inference tasks demand significant computational resources. Data centers provide the necessary infrastructure, such as high-performance servers, GPUs, and specialised AI accelerators, to support these computationally intensive AI workloads. The use of big data is also a rising trend and it encompasses diverse data types, including text, images, videos, social media posts, sensor data, and more. Processing and analyzing such varied data require specialised tools

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and infrastructure, leading to increased demand for data processing capabilities in data centers. These technologies are not only driving the cloud market, but also pushing the use of data centres that support cloud computing. Cloud service providers and internet giants are seeking for data centres storing data and information with cost-effective solutions to improve agility and flexibility.

*Favourable Governmental Policies* — The PRC government has taken multiple actions to promote the healthy growth of the data centre industry. In March 2020, the PRC government announced it would accelerate the construction of new large-scale quality data centre and 5G networks infrastructures, as part of the “new infrastructure” campaign of the six key investment areas, along with the industrial internet, inter-city transportation and inner-city rail systems, ultra-high voltage, and new energy vehicle charging stations, in order to boost sustainable growth and transform China into a digitalised economy. In February 2022, the NDRC and other PRC government agencies jointly approved a plan to build eight national computing hubs and ten national-data centre clusters, as part of a long-term initiative known as “Eastern Data and Western Computing” (東數西算). The initiative aims to have data gathered from the more prosperous cities in China’s eastern region and send to the less developed western region for processing and storage, thereby balancing the high demand for network processing capacity in eastern China and the ample land and resources in western China. Further, representative from the NDRC has announced a shared goal of the initiative to increase the current data centre shares in the western region from 10% to approximately 25% by the end of 2025. The initiative is expected to boost infrastructure investment in the form of data centres, computers, and supporting facilities. In particular, state-owned telecommunication carriers and renowned internet companies such as Tencent and Alibaba which have the financial capacities have announced plans to build data centres in the western regions. Self-built data centres are expected to capitalise on the subsidies and incentives given to develop data centres in the western region and expand their client base while non-self-built data centres can take advantage of the rapid development of telecommunication carriers into these areas and further expand their geographical coverage. In addition, in 2023, the Central Committee of the Communist Party of China and the State Council issued the “Digital China Construction Overall Layout Plan” (“**the Plan**”) to promote digitalisation in the PRC by 2025 and targets intake lead in digital development in the world by 2035. Digitalisation, which refers to the transformation of analog processes and information into digital formats, leads to the generation of vast amounts of data. As organisations and individuals digitise their operations, processes and interactions, data is created at an unprecedented rate. This includes data from online transactions, social media interactions, IoT devices, sensors and various digital platforms. Data centers are crucial for storing, processing, and managing this exponentially growing data. The Plan makes deployments to solidify the foundation of digital infrastructure, namely data centers, cloud storage services, content delivery networks, distributed database systems, data lakes and data warehouses, in the PRC to empower economic and social development, with a focus on the digital infrastructure. Following the implementation of the plan, the overall level of application infrastructure would be improved and the digitalisation and intelligent transformation of traditional infrastructure, namely on-premises servers, local storage devices, tape libraries, database servers, local area networks, backup and recovery systems, would be promoted.

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*Cost Savings of Non-self-built data centres* — Non-self-built data centres can offer cost savings compared to building and operating a data centre in-house due to the economies of scale and lower capital expenditure. Non-self-built data centre providers can achieve economies of scale by spreading the cost of infrastructure and operations across multiple customers. This can result in lower costs per unit of capacity or usage, making data centre services more cost-effective for customers. Building and operating a data centre in-house requires a significant upfront investment in infrastructure, including servers, storage, networking equipment, and cooling systems. Non-self-built data centres allow companies to avoid this capital expenditure, which can free up resources for other business needs. The benefits of cost saving has further promoted the development of IDC solution service providers in the PRC.

*Surging demand from the Popularity of AI program* — ChatGPT is a sophisticated AI program that requires a lot of computational power to run effectively. As ChatGPT becomes more popular, there will be an increase in demand for computing power and data centre resources. To receive the impetus from the market growth, it is expected that data centres will expand their capacity and invest in more powerful hardware, including the increase in the number of servers, faster processors, and better cooling systems. On the other hand, there may be a need for more sophisticated data management and storage systems, such as high-speed data connections, distributed storage systems, and advanced data analytics tools, to handle the large amounts of data that AI programs generate. Overall, the growing popularity of ChatGPT and other AI programs would contribute to the increased demand for computing power and data centre.

*Market Consolidation* — With increasing complexity of the Internet data centres, the market participants are extending their services cope to fulfill the rising client's expectations. As the market develops into a mature stage, large-scale services providers are seeking expansion opportunities through horizontal or vertical integration and business portfolio diversification which leads to an increase in merger and acquisitions activities in the PRC IDC solution service market. Some established IDC solution service providers in the PRC have been consistently seeking opportunities that can further expand its business scale and diversify its revenue stream thorough merger and acquisition. With the integration of other companies, the revenue size and business scale is expected to be enlarged and thereby bringing greater diversity in the business portfolio.

*Emergence of Full-Stack and/or Bespoke Solutions Service Providers* — IDC solution service providers will continue to increase their investment in products and services related to new technologies and strive to support the rapid changes of enterprise business at a deeper level. The emergence of IDC solution service providers with strong capability to provide one-stop, multi-layered solutions and a comprehensive suite of value-added services has become clear. This has also become a strategic focus of IDC solution service providers as an avenue to diversify their revenue streams, increase average recurring revenue per client and enhance client relationship. For example, services including internet access management, system security and disaster management, backup archiving and CDN are increasingly demanded by business enterprises.

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*Shift of Tier-1 Cities to Satellite Cities on Data centres* — Internet data centres demanded by large enterprises are required to be located in areas within large metropolitan cities to enhance connectivity and shorten latency initially. Due to Power Usage Effectiveness (PUE) restrictions imposed by the Chinese government on the construction of new data centres in tier-1 cities (including Beijing, Shanghai, Guangzhou, and Shenzhen) as well as limited and costly land and power resources, there is a growing trend of building new data centres in the outskirts of tier-1 cities. Furthermore, many local governments in areas surrounding tier-1 cities actively support data centre projects by offering favourable policies in terms of land-use rights and power cost to support the local economy and labour market. In the meantime, as there are fewer data centre infrastructures in lower-tier cities and the demand for fast, secure and stable network connections in these cities continues to increase, the demand for content delivery network services also anticipates growth.

*Growing Trend of Client Outsourcing* — Enterprises are increasingly outsourcing IT infrastructure to third-party data centres in an effort to reduce complexity, address staffing and budget constraints, and more effectively cope with dynamically changing IT needs to support key business objectives. Third-party data centres are able to bring value to companies and are helping IT departments manage increasing complexity and do more with less. In addition, outsourcing should always be more cost-effective than managing systems internally, as third-party data centre solution providers split their costs across multiple clients and can pass the resultant economies-of-scale to clients. Moreover, many business are seeking for agility to take advantage of new market opportunities, and third-party data centres can typically deliver a critical project faster than internal IT. Due to the strong growth of China's digital economy and cloud services, the demand for data centres with high power density cabinets and centralised and modular data centre infrastructure has been increasing significantly, capable of supporting a variety of specifications for Internet leaders and cloud service providers. Major cloud services providers and large-scale internet giants are outsourcing the construction and operation of hyperscale data centre in order to significantly reduce upfront capital expenditures, enjoy flexibility and cost advantages, and focus on their core businesses.

*Rising Investment in Facilities* — As IT infrastructure becomes more complex, increasing number of clients are turning to IDCs to help manage their technology stack and they lack the specialised expertise required to manage complex IT environments. There is an increasing need for value-added services such as database administration, application management, and other specialised services, to help clients streamline their IT operations. Accordingly, some IDC solution service providers invest related facilities to provide clients with dedicated servers and routers to ensure that their clients' data and applications are hosted on reliable hardware that is maintained and monitored by experienced professionals. Dedicated servers can provide clients with faster and more reliable access to data and applications. By eliminating the need for shared resources, dedicated servers can reduce latency and improve data transfer speeds. Investment in related facilities is a rising trend in IDCs solution service industry in the PRC. On the other hand, some IDC solution service providers are also engaged in the provision of edge computing that reduces the amount of data that needs to be transmitted to the cloud or data centre, reducing bandwidth

requirements and lowering costs. Having self-own edge devices, they are able to perform local processing and filtering, reducing the amount of data that needs to be processed in the cloud or data centre.

### **Introduction of edge computing**

Edge Computing Services or edge cloud is a form of infrastructure and computing service distinguishable from our IDC Solution Services in that they enable our clients and their customers to build, secure and deliver digital experiences, at the edge of the Internet. This service represents the convergence of the CDN with functionality which has been traditionally delivered by hardware-centric appliances such as DDoS solutions, a solution against distributed denial-of-service attacks by decentralising content origins and increasing the number potential targets and thus increasing the cost of disrupting services of hosts connected to the Internet. In addition, CDN aims to move computing power and logic as close to the end-user as possible. The edge cloud uses the emerging cloud computing, in which the cloud provider runs the server and dynamically manages the allocation of machine resources. CDN, as a core type of service in edge computing, is frequently used alongside other edge computing technologies and supplementary services. In the domain of edge computing, prominent market players commonly offer CDN services in conjunction with other edge computing technologies and additional services, namely serverless computing, IOT integration, security services, data analytics, content and media services. These providers take advantage of their extensive network infrastructure and edge server locations to deliver CDN services as an integral component of their comprehensive edge computing solutions. By integrating CDN capabilities into their edge computing solutions, these providers can boost content delivery performance and optimise the dissemination of data, applications, and services throughout their network.

The origins of edge computing lie in content-distributed networks that were created to serve web and video content from edge servers that were deployed close to users. In the early 2000s, these networks evolved to host applications and application components on edge servers, resulting in the first commercial edge computing services that hosted applications such as dealer locators, shopping carts, real-time data aggregators, and ad insertion engines.

The applications of edge computing are as follows:

1. Edge application services reduce the volumes of data that must be moved, the consequent traffic, and the distance that data must travel. That provides lower latency and reduces transmission costs. Computation offloading for real-time applications, such as facial recognition algorithms, showed considerable improvements in response times, as demonstrated in early research. Further research showed that using resource-rich machines called cloudlets or micro data centres near mobile users, which offer services typically found in the cloud, provided improvements in execution time when some of the tasks are offloaded to the edge node. On the other hand, offloading every task may result in a slowdown due to transfer times between devices and nodes, so depending on the workload, an optimal configuration can be defined.

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2. IoT-based power grid system enables communication of electricity and data to monitor and control the power grid, which makes energy management more efficient.
3. Another use of the architecture is cloud gaming, where some aspects of a game could run in the cloud, while the rendered video is transferred to lightweight clients running on devices such as mobile phones and VR glasses. This type of streaming is also known as pixel streaming.
4. Other notable applications include connected cars, autonomous cars, smart cities, Industry 4.0, and home automation systems.

Edge Computing Services offer several value-added benefits compared to traditional Internet data centre solutions in the following aspects:

1. **Reduced Latency** — Edge computing brings computing resources closer to the data source, minimising the distance data needs to travel, which reduces latency, enabling real-time processing and faster response time for time-sensitive applications.
2. **Enhanced Reliability** — Edge computing employs a decentralised architecture by spreading computing resources across multiple locations. This distribution enhances reliability by reducing the vulnerability of having a single point of failure. In the event of one edge node failing, the remaining nodes can seamlessly carry on with data processing.
3. **Improved Bandwidth Efficiency** — With edge computing, data is processed locally at the edge devices or nodes, reducing the need to transmit large amounts of raw data to centralised data centres for processing. This approach optimises bandwidth usage and reduces network congestion.
4. **Data Privacy and Security** — Through edge computing, sensitive data can undergo local processing and analysis, eliminating the need for transmitting it to a central data centre. This safeguarding measure significantly bolsters data privacy and security by minimising the potential exposure of sensitive information during the transmission process.
5. **Real-time Insights and Decision-making** — Processing data at the edge empowers organisations to acquire real-time insights and swiftly make informed decisions based on the analysed data. This capability proves especially advantageous for applications with time-critical requirements, such as industrial automation, autonomous vehicles, and remote monitoring, where immediate responses are essential.

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In terms of computing infrastructure, traditional Internet data centres typically have large-scale centralised servers and storage facilities. These centres require substantial physical space, cooling systems, and power supply. In contrast, edge computing relies on distributed computing resources, including edge devices, gateways and local servers placed closer to the data source. These edge nodes are often smaller in size and can be deployed in various locations, such as offices, factories, or even on IoT devices.

Regarding the applications of advanced technologies, edge computing enables the integration of various advanced technologies in different domains:

1. IoT — Edge computing is instrumental in IoT deployments, allowing efficient processing and analysis of data generated by IoT devices at the edge. It enables real-time monitoring, predictive maintenance, and local decision-making in IoT environments.
2. Artificial Intelligence (AI) and Machine Learning (ML) — Edge computing brings AI and ML capabilities closer to the data source, reducing latency and enabling real-time inferencing. This is beneficial in scenarios where rapid decision-making is crucial, such as autonomous vehicles or smart surveillance systems.
3. Augmented Reality (AR) and Virtual Reality (VR) — Edge computing enhances AR and VR experiences by reducing latency and enabling real-time processing and rendering of immersive content. This enables more responsive and interactive AR/VR applications.
4. Video Analytics — Edge computing allows real-time processing and analysis of video streams at the edge, enabling applications like video surveillance, object detection, and facial recognition with reduced latency and enhanced privacy.

The development of edge computing services is subject to the following operational constraints or limitations in the PRC:

1. Network Infrastructure — Edge computing relies on robust and reliable network infrastructure to ensure low-latency communication between edge devices and the centralised cloud or data centre. In areas with limited or unreliable network connectivity, the effectiveness of edge computing services may be hindered.
2. Scalability — Scaling edge computing services can be difficult. Investment and time are required for coordinating a multitude of edge devices, confirming their correct functioning, and moderating data handling and storing across distributed locations.
3. Security — Edge computing involves distributing data processing and storage closer to the network edge, which can introduce security risks. Securing edge devices, managing access controls, and protecting data transferred between edge devices and the central infrastructure require robust security measures.



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4. **Resource Constraints** — Edge devices typically possess constrained computational capabilities, storage space, and energy resources compared to centralised cloud infrastructure. Crafting resourceful algorithms and optimising resource application are essential to guarantee optimal functioning and maximise the potential benefits of edge computing services.
5. **Management and Maintenance** — Managing and maintaining a large number of geographically distributed edge devices can pose operational challenges. Regular software updates, troubleshooting, and ensuring consistent performance across diverse edge environments require effective management strategies and monitoring tools.
6. **Regulatory and Compliance** — There may be specific regulations and compliance requirements related to data privacy, security, and local data storage in the PRC. Adhering to these regulations while deploying edge computing services may present operational challenges.

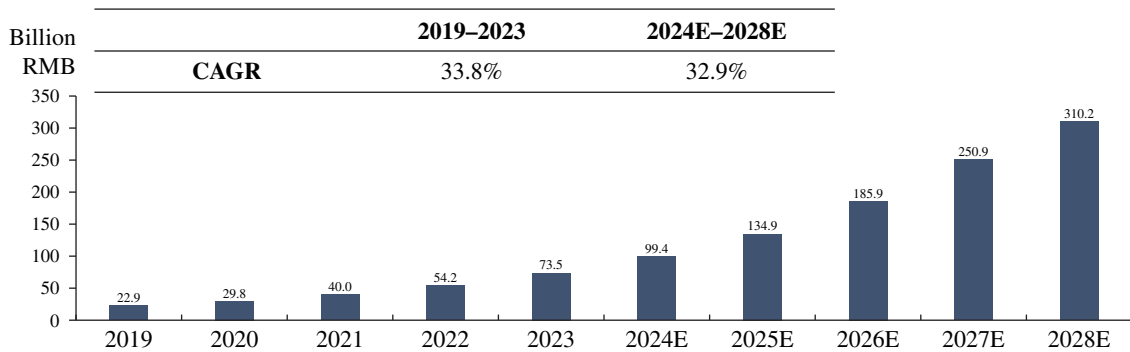
### **Market outlook of edge computing**

Edge computing is a form of computation that is performed on-site or adjacent to a specific data source, which minimises the need to process data remotely in the data centre. Driven by the extensive applications, including security and medical monitoring, self-driving cars, and video conferencing, and the increased utilisation of edge computing alongside the cloud, the market size of edge computing in the PRC increased from RMB22.9 billion in 2019 to RMB73.5 billion in 2023, representing a CAGR of 33.8% from 2019 to 2023.

The expansion of Internet of Things (IoT) applications and the blossoming Web 3.0 market drive the growth of edge computing in the PRC. The PRC is the world's largest IoT market and is projected to take the biggest slice of the Web 3.0 market in the next few years too. In addition, edge computing is increasingly being used in conjunction with Web 3.0 technologies to create more powerful and efficient decentralised applications (dApps). Web 3.0 is the next generation of the web, which is characterised by a more intelligent, connected, and decentralised network. It is built on the principles of blockchain technology, which provides a secure and transparent way to store and exchange data. Edge computing 3.0 refers to the integration of edge computing and Web 3.0 technologies to create a decentralised and secure computing environment. This environment is designed to support the development and deployment of dApps that can leverage the power of edge computing to process data locally, while also using the security and transparency of the blockchain to store and exchange data. The market size of edge computing in the PRC is estimated to reach RMB310.2 billion in 2028, at a CAGR of 32.9% from 2024 to 2028.

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### Market size of Edge Computing in the PRC, 2019–2028E



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

Edge computing is specifically designed for applications that demand low latency, real-time processing, and localised data management. It is mainly applied in e-commerce, gaming, social media, audio and education in rural areas and new territories, where IDCs might not be available.

As set out in the Action Plan for the Integrated Development of Virtual Reality and Industrial Applications (2022–2026) (“*虛擬現實與行業應用融合發展行動計劃(2022–2026年)*”), the Government targets to develop cloud-based computing resource pools, live streaming platforms, high-performance transmission networks, and other content editing and transmission tools. It also includes the establishment of dedicated information infrastructure to meet the needs of virtual reality-specific businesses such as video content, graphic rendering, and spatial computing. In particular, integrated information infrastructure would be developed for virtual reality that supports cloud computing, edge computing, immersive computing, and other multi-node computing capabilities, achieving efficient and secure collaboration between cloud, network and edge. The supportive government policies have translated into the market growth for the edge computing in the PRC, particularly in rural areas and new territories.

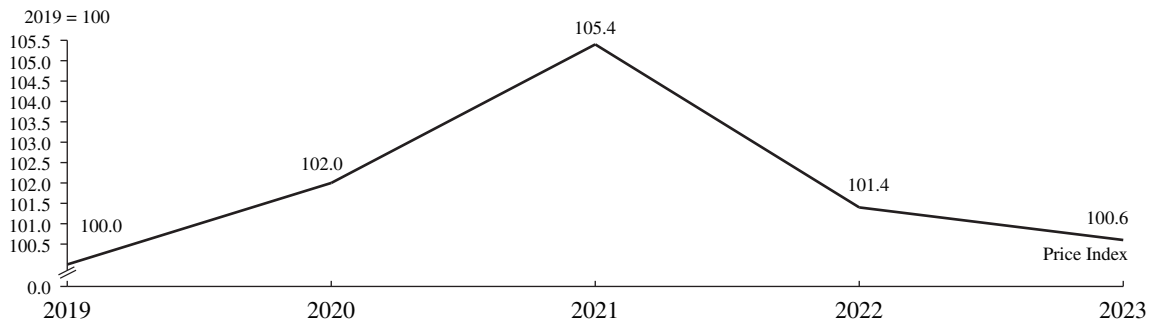
E-commerce platforms are expanding their reach into rural areas, connecting rural businesses with consumers and enabling online transactions. This trend has created a demand for edge computing to support the infrastructure required for e-commerce operations, including website hosting, data storage, and order processing. On the other hand, cloud computing has become a crucial technology for businesses of all sizes, enabling remote access to data and services. Rural enterprises and organisations are increasingly adopting cloud-based solutions to streamline their operations, collaborate with partners, and access advanced technologies. Edge computing in rural areas can provide the necessary infrastructure for cloud computing services, reducing latency and improving connectivity for local users. The expansion of e-commerce platforms and the wider adoption of cloud computing have increased the demand for edge computing in rural areas of the PRC.

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### Cost Analysis

As more telecom and internet providers have entered into the Chinese market, the competition has become more intensified, forcing companies to lower prices to attract and retain customers. In addition, the Chinese government has implemented policies to encourage more competition and lower internet access costs. In addition, network technologies have advanced significantly, allowing providers to offer higher speeds at lower costs. This includes the rollout of broadband and fibre optic networks. Accordingly, the price index of bandwidth in the PRC decreased from 105.4 in 2021 to 100.6 in 2023.

**Price Index of Bandwidth in the PRC, 2019–2023**



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

### COMPETITIVE LANDSCAPE OF INTERNET DATA CENTRE BUSINESS MARKET IN THE PRC

The IDC business market in the PRC is a competitive and fragmented market, with an estimated number of over 400 market participants on various scales adopting different business models and each having a distinctive service offerings and customer network. The Group ranked 14<sup>th</sup> in the IDC business market in terms of revenue in 2022 with a market share of 0.3%. The top 20 market participants account for 58.8% of market share by revenue in 2022.

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### Top 20 Service Providers in the Internet Data Centre Business Market (2022)

Rank	Company	Revenue (RMB Million)	Market Share
1	China Telecom Corporation Limited (中國電信股份有限公司)	33,247.7	17.5%
2	China United Network Communications Group Co., Ltd (中國聯合網絡通信集團有限公司)	24,846.1	13.1%
3	China Mobile Communications Group Co., Ltd (中國移動通信集團有限公司)	20,760.0	10.9%
4	GDS Holdings Ltd (萬國數據服務有限公司)	8,626.2	4.5%
5	VNET Group, Inc. (世紀互聯數據中心有限公司)	7,065.2	3.7%
6	Chindata Group Holdings (秦淮數據集團)	3,186.1	1.7%
7	Range Intelligent Computing Technology Group Company Limited (潤澤智算科技集團股份有限公司)	2,714.7	1.4%
8	Kehua Data Co., Ltd (科華數據股份有限公司)	2,475.1	1.3%
9	Beijing Sinnet Technology Co., Ltd (北京光環新網科技股份有限公司)	2,077.8	1.1%
10	Shanghai@hub Co., Ltd (上海數據港股份有限公司)	1,455.1	0.8%
11	CINSPGROUP Technology Co., Ltd. (中聯雲港數據科技股份有限公司)	1,247.9	0.7%
12	Aofei Data International Limited (奧飛數據國際有限公司)	747.6	0.4%
13	Hotwon Group (浩雲長盛集團)	696.7	0.4%
<b>14</b>	<b>Company</b>	<b>538.7</b>	<b>0.3%</b>
15	Capitalonline Data Service Co., Ltd. (北京首都在線科技股份有限公司)	533.4	0.3%
16	CEICloud Data Storage Technology (Beijing) Co., Ltd. (中經雲數據存儲科技(北京)有限公司)	415.6	0.2%
17	Dr. Peng Group (鵬博士集團)	397.5	0.2%
18	Shanghai Yovole Networks Inc. (上海有孚網絡股份有限公司)	300.0	0.2%
19	Wangsu Science & Technology Co., Ltd (網宿科技股份有限公司)	263.4	0.1%
20	China International Data System Co. Ltd (國富瑞數據系統有限公司)	204.9	0.1%
	Top 20	111,799.7	58.8%
	Others	78,300.3	41.2%
	Total	<u>190,100.0</u>	<u>100.0%</u>

Source: Frost & Sullivan

The Group ranked the 11<sup>th</sup> in the IDCs industry among carrier-neutral service providers in terms of revenue in 2022 with a market share of 0.6%. The top 20 market participants account for 34.5% of market share by revenue in 2022.

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### Top 20 Carrier-neutral Service Providers in the Internet Data Centre Industry (2022)

Rank	Company	Revenue (RMB million)	Market Share
1	GDS Holdings Ltd. (萬國數據服務有限公司)	8,626.2	8.9%
2	VNET Group, Inc. (世紀互聯數據中心有限公司)	7,065.2	7.3%
3	Chindata Group Holdings (秦淮數據集團)	3,186.1	3.3%
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14	Dr. Peng Group (鵬博士集團)	397.5	0.4%
15	Shanghai Yovole Networks Inc. (上海有孚網絡股份有限公司)	300.0	0.3%
16	Wangsu Science & Technology Co., Ltd. (網宿科技股份有限公司)	263.4	0.3%
17	China International Data System Co., Ltd. (國富瑞數據系統有限公司)	204.9	0.2%
18	Shanghai Baosight Software Co., Ltd. (上海寶信軟件股份有限公司)	185.6	0.2%
19	Beijing Yuntai Shutong Internet Technology Co., Ltd. (北京雲泰數通互聯網科技有限公司)	175.9	0.2%
20	MCC Meili Cloud Computing (中冶美利雲產業投資股份有限公司)	50.0	0.1%
	Top 20	33,357.4	34.5%
	Others	63,342.6	65.5%
	Total	96,700.0	100.0%

Source: Frost & Sullivan

## INDUSTRY OVERVIEW

### Key factors relevant to market competition

*Relationship with telecommunication carriers* — Carrier-neutral data centres procure fibre resources and acquire network access from telecommunication carriers to meet their bandwidth needs and enhance the efficiency of their network. Developing a good relationship with telecommunication carriers allow stable supply of resources at favourable price, which enable a sustainable development of IDC solution service market. As for non-self-built data centres, it is particularly important to maintain a good relationship with telecommunication carriers in order to secure long-term procurement of data centre space and cabinets, as well as develop a stable distribution partnership.

*Relationship with clients* — As the engagement with IDC solution service market providers are more often in recurring form instead of a one-off service type and the switching cost for clients is relatively high, enterprise tend to choose services providers with rich operation and management experience, good reputations and guaranteed long-term service stability. Market players with reputable clients network is more likely to attract new clients. Further, clients network of non-self-built data centres also act as a determining factor in its partnership with telecommunication carriers and other third parties in terms of data centre space and cabinets distribution to downstream client.

*Technology innovation* — Market players in the IDC solution service market compete on their range of service offerings and technology innovation. The market is one of the fastest growing industries over the past years owing to the nationwide scale digital transformation and the development of related technology are advancing faster than ever, besides, industry standards and guidelines are being updated simultaneously. Market players often compete to keep updated with the latest technology and provide the best solutions for end-clients.

*Geographical location* — The land and power resources are scarce in first-tier cities in China, making it difficult for IDC solution service market to source for the ideal location for data centre which include a number of features such as sufficient power supply and good grid construction quality. Further, operators with a broad geographic coverage and in close proximity to city centres are more favoured by large enterprises as it allows faster interconnectivity across multiple cities. On the other hand, IDC solution service providers enjoy a higher degree of flexibility as their services are less confined by locations of the data centres.

### Competitive landscape

The IDC industry in the PRC is a competitive and fragmented market, with a number of market participants adopting different business models and each having distinctive service offerings and customer networks. In particular, the competitions from state-owned telecommunication carriers, independent IDC service providers, other Internet companies, and cloud computing companies make the IDC market in the PRC highly dynamic and competitive.

*State-owned telecommunication carriers* — They provide a range of telecommunications services, including IDC services, and often have significant resources and infrastructure.

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*Independent self-built IDC service providers* — They specialise in providing IDC services and compete with carrier-neutral providers and state-owned telecommunication carriers by offering their own data centre facilities, network infrastructure, and value-added services. They vary in size and capabilities, ranging from smaller regional players to larger national or multinational companies.

*Carrier-neutral non-self-built IDC service providers* — To remain competitive in the industry, they offer comprehensive service solutions with expanded geographical coverage, technological innovation, and timely customer support, in addition to their regular services, even though they do not own or operate any data centers or infrastructure facilities. This approach helps them attract and retain customers in the highly competitive market of the IDC industry in the PRC.

*Other Internet companies* — In the PRC, there are numerous Internet companies operating in various sectors such as e-commerce, social media, content delivery and online services. Some of these Internet companies have established their own data centres to support their daily operations. They may offer IDC services as an additional revenue stream or to support their own internal infrastructure needs.

*Cloud service providers* — In the PRC, there are both domestic and international cloud computing companies competing in the market which offer on-demand access to computing resources, storage and other IT services over the Internet. These companies often have their data centres and provide a range of services, including infrastructure as a service (IaaS), platform as a service (PaaS) and software as a service (SaaS).

The Group ranked the 11<sup>th</sup> in the internet data centre industry among carrier-neutral service providers in terms of revenue in 2022 with a market share of 0.6%. The top 20 market participants account for 34.5% of market share by revenue in 2022. The IDC solution service market is a highly fragmented and competitive market, with an estimated number of 400 players on various scales.

### **Entry barriers**

*Relationship with state-owned telecommunication carriers* — IDC solution service providers procure fibre resources and acquire network access from telecommunication carriers to meet their bandwidth needs and enhance the efficiency of their network. Particularly for IDC solution service providers, a well-established relationship with state-owned telecommunication carriers is key to securing data centre space and cabinets procurement, and hence stable business operation. As state-owned telecommunication carriers favour partnering with reputable data centres who acquire vast network access volume from them, new entrants without financial capacity and business track record will find it difficult to establish a relationship with them.

*Technical know-how* — The IDC solution service market is evolving faster than ever before, successful market players often demonstrate the capability to evolve with new technology which is built upon the technical know-how of the company. Service providers are required to have strong technical competency, deep industry know-how, as well as strong business development capability to cater to clients' various needs.



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*Track record* — With the increasing adoption of centralised procurement procedures by major internet companies and telecommunication carriers, the industry standard has heightened in terms of quality. New entrants without a track record of experience or smaller players will be difficult to compete and are more likely to face consolidation by larger players.

*Client network* — Service providers who accumulate a large and diversified client base are well positioned to maintain healthy long-term recurring revenues as the industry client churn is generally low, especially for IDC solution service provider as clients will incur high switching costs if they move to other data centre facilities. These factors pose barriers for new entrants as it will take time and cost to build client network.

### COMPETITIVE LANDSCAPE OF EDGE COMPUTING MARKET IN THE PRC

As estimated, there are more than 100 market participants in the industry. The edge computing industry in the PRC is relatively consolidated, with the top five market participants accounting for 22.2% of market share in 2022. The Group recorded revenue of RMB5.2 million, accounting for the market share of 0.01% of the edge computing industry in the PRC in 2022.

#### Top 5 Edge Computing Services Providers in the PRC, in terms of revenue (2022)

<u>Rank</u>	<u>Company</u>	<u>Revenue (RMB Million)</u>	<u>Market Share</u>
1	Huawei Technologies Co., Ltd. (華為技術有限公司)	3,573.4	6.6%
2	China United Network Communications Group Co., Ltd. (中國聯合網絡通信集團有限公司)	2,710.5	5.0%
3	China Telecom Corporation Limited (中國電信股份有限公司)	2,138.2	3.9%
4	China Mobile Limited (中國移動有限公司)	1,876.4	3.5%
5	Baishan Cloud Holdings Limited (白山雲控股有限公司)	1,742.8	3.2%
	Top Five	12,041.3	22.2%
	Others	42,158.7	77.8%
	Total	<u>54,200.0</u>	<u>100.0%</u>

*Source: Frost & Sullivan analysis which takes into account the information published on the websites of companies and the annual report of a listed company*

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### Entry Barrier

*Investment in infrastructure* — Edge computing requires a vast network of data centres, computing nodes, and edge devices located close to end users. Building this type of infrastructure requires a massive upfront investment in hardware, real estate, and networking. In particular, maintaining this infrastructure can be capital-intensive and time-consuming. New entrants would have difficulty replicating the infrastructure of established players in the PRC.

*Technical expertise* — Edge computing is a complex and emerging technology that requires specialist knowledge in areas like low-latency networking, distributed computing, and device management. It also involves a range of technologies, including Artificial Intelligence, Internet of Things, and networking solutions. Edge computing infrastructure and applications are required to be tailored to specific use cases and customer needs. Established players have built up this expertise through years of R&D and experience. For example, companies have developed proprietary algorithms, software stacks, and hardware designs to optimise performance for their solutions. Technological expertise, therefore, serves as the entry barrier in the edge computing industry in the PRC.

*Network effects and switching cost* — As edge computing networks grow by connecting more devices and users, the value of these networks also increases. This creates a cycle that further solidifies the positions of established players and makes it hard for new entrants to gain a foothold. On the other hand, once companies create their edge computing infrastructure and integrate it with customers' systems, it becomes costly for customers to switch to a different provider. The barrier to switching providers further strengthens the positions of established edge computing companies.

### INTRODUCTION OF INFORMATION AND COMMUNICATIONS TECHNOLOGY SERVICES INDUSTRY

Information and Communications Technology (“ICT”) services refer to the services provided for the collection, storage, processing, transmission and presentation of information (including voice, data, text, and images). For example, ICT services may be comprised of cloud computing, information security, network and data centre services. The broader and more efficient use of ICT is a major driving force in modern economies, given that it facilitates broader and quicker transmission of knowledge, greater productivity and advancement in establishing knowledge-based economies. As such, many countries have adopted national and regional policies aimed at nurturing and supporting the development of ICT service industry.

### IMPACT OF COVID-19 OUTBREAK

The coronavirus (COVID-19) outbreak in 2020 has caused widespread concern and economic hardship across the globe. Soon after the outbreak of COVID-19, the Chinese government imposed a series of measures to contain the spread of viruses, these include stringent lockdown measures, contact tracing system, and mass-scale testing campaigns whenever a new cluster of infections was discovered. While effective in containing the outbreak, these measures have hindered daily economic activities and there was a slowdown in information technology (“IT”) spending during

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the first half of 2020, especially on hardware business including devices and IT equipment. The outbreak soon got under control in the second half of 2020 and while the Chinese government still maintains the strictest hygiene and safety measures to prevent further outbreak, the economic activity in China revives and has displayed a “V-shaped” recovery. In particular, the internet and IDC services industry were positively impacted as companies were driven to adopt and implement digital transformations amid restrictions under the pandemic. For instance, according to the National Bureau of Statistics of China, the total revenue of software industry in the PRC has increased by 13.2% and 16.4% year-on-year, respectively for 2020 and 2021, during the pandemic. On 8 January 2023, the PRC has reopened its borders to international visitors for the first time since it imposed travel restrictions in March 2020. Incoming travellers will no longer be subject to rigorous quarantine measures and they are required to provide proof of a negative PCR test taken within 48 hours of travelling. The border reopening will serve as the driver to the economic growth in the PRC. It is expected that the IT spending to grow continuously, in particular, the telecommunication service has become an elevated essential service amid social distancing and self-isolation measures and is anticipated to continue to grow in demand.

### COMPETITIVE STRENGTHS OF OUR GROUP

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

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### REGULATIONS ON COMPANY AND FOREIGN INVESTMENT RESTRICTIONS

According to the Company Law of the PRC (《中華人民共和國公司法》) (the “**Company Law**”), which was approved by the Standing Committee of the National People’s Congress (the “**SCNPC**”) on 29 December 1993 and subsequently amended in 1999, 2004, 2005, 2013 and 2018, and the latest amended version of which was effective on 26 October 2018, a company established under the PRC laws and within the territory of the PRC may take the form of a limited liability company or a joint stock company. The Company Law of the PRC shall also be applicable to foreign-invested limited liability companies and joint stock companies, unless otherwise provided by relevant laws and regulations.

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”) was adopted by the National People’s Congress (the “**NPC**”) on 15 March 2019 and became effective on 1 January 2020. After the Foreign Investment Law came into force, the Law on Wholly Foreign-owned Enterprises of the PRC (《中華人民共和國外資企業法》), the Law on Sino-foreign Equity Joint Ventures of the PRC (《中華人民共和國中外合資經營企業法》) and the Law on Sino-foreign Contractual Joint Ventures of the PRC (《中華人民共和國中外合作經營企業法》) were repealed simultaneously.

On 30 December 2019, the MOFCOM and the SAMR issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect on 1 January 2020. After the Measures for the Reporting of Foreign Investment Information came into effect, the Interim Measures on the Administration of Filing for Establishment and Change of Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) was repealed simultaneously. Since 1 January 2020, for foreign investors carrying out investment activities directly or indirectly within the PRC, the foreign investors or foreign-invested enterprises shall submit investment information to the competent authorities for commerce pursuant to these measures.

Investment activities by foreign investors in the PRC are regulated by Provisions on Guiding the Orientation of Foreign Investment (《指導外商投資方向規定》), which was promulgated by the State Council on 11 February 2002 and came into effect on 1 April 2002, and the Negative List (2021). The Negative List (2021) sets out in a unified manner the restrictive measures, such as the requirements on shareholding percentages and management, for the access of foreign investments, and the industries that are prohibited for foreign investment. The Negative List (2021) covers 12 industries, and any field not covered by the Negative List (2021) shall be administrated under the principle of equal treatment for domestic and foreign investment. According to the Negative List (2021), value-added telecommunications services which fall within China’s commitment to the WTO (excluding e-commerce, domestic multi-party communications, data collection and transmission services, and call centres) is a restricted industry for foreign investment, and the shareholding ratio of foreign investors shall not exceed 50%. Foreign investment is generally not permitted in the types of value-added telecommunications services that do not fall within China’s commitment to WTO to open up, which include the internet data center services, internet access services and content delivery network services.

According to the Provisions on Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) issued by the State Council on 11 December 2001 and amended on 10 September 2008, 6 February 2016 and 29 March 2022, unless otherwise stipulated by the State, the maximum proportion of capital contributed by a foreign investor in a foreign-

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invested telecommunications enterprise which operates basic telecommunications services (other than radio paging services) shall not exceed 49%, and the maximum proportion of capital contributed by a foreign investor in a foreign-invested telecommunications enterprise which operates value-added telecommunications services (including radio paging services under basic telecommunications services) shall not exceed 50%.

According to the Mainland and Hong Kong Closer Economic Partnership Arrangement (《內地與香港關於建立更緊密經貿關係的安排》) entered into by the MOFCOM and the Financial Secretary of Hong Kong Special Administrative Region on 29 June 2003 and the Mainland and Macau Closer Economic Partnership Arrangement (《內地與澳門關於建立更緊密經貿關係的安排》) entered into by the MOFCOM and the Secretariat for Economy and Finance of Macau Special Administrative Region on 17 October 2003 together with their supplements, services providers from Hong Kong and Macau are permitted to set up foreign-invested enterprises in the form of a Sino-foreign equity joint venture in mainland to provide five types of specific value-added telecommunications services, including internet data centre services, and the maximum capital contribution percentage held by the services provider from Hong Kong and Macau is restricted to 50% or less.

On 13 July 2006, the Ministry of Information Industry of the PRC (predecessor of the Ministry of Industry and Information Technology of the PRC (“MIIT”)) issued the Circular of the Ministry of Information Industry on Intensifying the Administration of Foreign Investment in Value-added Telecommunications Services (《信息產業部關於加強外商投資經營增值電信業務管理的通知》). A domestic telecommunications enterprise: (1) shall not, through any form, lease, transfer or sell a telecommunications businesses license to a foreign investor, or provide other conditions such as resources, offices and working places, facilities for any foreign investor to engage in any illegal telecommunications operation in any form within the PRC; (2) value added telecommunications enterprises or their shareholders shall directly own the domain names and trademarks required for their daily operations; (3) each value-added telecommunications enterprise shall have the facilities required for its approved business operations and maintain such facilities in the regions covered by its license; and (4) all value-added telecommunications services providers shall maintain network and information security in accordance with the standards specified by relevant PRC regulations. If a license holder fails to comply with the requirements in the Circular and to rectify up to the requirements within a prescribed period, the MIIT or its local counterparts have the discretion to take measures against such license holder, including revoking its value-added telecommunications business operation permit.

### REGULATIONS ON TELECOMMUNICATIONS SERVICES

Among all of the applicable laws and regulations, the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (“the **Telecommunications Regulations**”), which were promulgated by the State Council on 25 September 2000 and amended on 29 July 2014 and 6 February 2016, respectively, is the primary governing law, which sets out the general framework of the regulations for the provision of telecommunications services by domestic PRC companies in the PRC. Under the Telecommunications Regulations, a telecommunications service provider shall

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obtain an operation license prior to the commencement of operations. The Telecommunications Regulations distinguish basic telecommunications services from value-added telecommunications services.

The Classification Catalogue of Telecommunications Services (《電信業務分類目錄》) was issued as an attachment to the Telecommunications Regulations, and amended on 28 December 2015 (which became effective on 1 March 2016 and was further amended on 6 June 2019). It classifies the basic telecommunications services into the first category and the second category of basic telecommunications services, of which the domestic data transmission service of the fixed network is classified as the second category of data communication services under the second category of basic telecommunication services; and classifies the value-added telecommunications services into the first and the second category of value-added telecommunication business, of which the internet data centres, content distribution network business, domestic Internet virtual private network and Internet access service business are classified as the first category of value-added telecommunications services and online data and transaction processing, domestic multi-party communications services, store-and-forward services, call centres, and information services business and coding and protocol conversion business are classified as the second category of value-added telecommunications business. According to the Classification Catalog of Telecommunication Services, (1) the “internet data centre” services refer to the placement, agency maintenance, system configuration and management services provided for users’ servers or other internet or network-related equipment in a form of outsourced lease by utilising the corresponding machine room facilities, as well as the lease of database systems, servers and other equipment, lease of the storage spaces of such equipment, lease of communication lines and export bandwidth on an agency basis, and other application services; (2) the “content distribution network (CDN)” services refer to the provision of decentralised storage and caching of contents to the user through a network platform for traffic distribution management established by node server groups located in different regions, and distributes the contents to a fast and stable cache server based on the network dynamic traffic and load so as to speed up the server response time and the availability of services to the users; (3) the “internet access” services refer to the establishment of business nodes with the access servers and corresponding software and hardware resources and the connection of the business nodes to the internet backbone network with the public communication infrastructure so as to provide internet access services to various users. Users can use the public communication network or other access means to connect to their business nodes, and access the Internet through those nodes; (4) the “domestic call centre” services refer to the establishment of a call centre in the PRC to provide domestic and foreign entities with call centre service (mainly for domestic users); (5) the “information service business” refers to the provision of information services to users via public communication networks or the internet through the data collection, development and processing, and the construction of information platforms. The information services are classified based on the types of technical services such as information compilation or delivery, mainly including information release platforms and delivery services, information search services, information community platform services, real-time data exchange services, data protection and processing services; (6) the “domestic data transmission service of the fixed network” refers to the domestic wired end-to-end data transmission service provided in a fixed network, other than the data



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transmission service via the internet. It mainly includes data transmission services based on IP bearer network, ATM network, X.25 packet switching network, DDN network and frame relay network.

The Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (the “Internet Information Measures”) was issued by the State Council on 25 September 2000 and amended on 8 January 2011. According to the Internet Information Measures, internet information services refer to the service activities of providing information to internet users through the internet, and can be divided into two categories: operational and non-operational. Operational internet information services refer to the provision of information, web page production or other services to internet users through the internet for fees. Non-operational internet information services refer to the provision of public and commonly shared information to web users through the internet free of charge. Operational internet information services provider shall obtain an ICP Licence covering the business scope of internet information services from relevant government authorities before engaging in any operational internet information services business in the PRC.

On 3 July 2017, the MIIT issued the Administrative Measures for Telecommunications Business Operating Licence (《電信業務經營許可管理辦法》), which became effective on 1 September 2017 and replaced the original Administrative Measures for Telecommunications Business Operating Licence. The Administrative Measures for Telecommunications Business Operating Licence sets forth more specific provisions regarding the types of licences required for operating value-added telecommunications services, the qualifications and procedures for obtaining the licences and the administration and supervision of these licences. According to the Measures, an operator of telecommunications services shall obtain a licence for value-added telecommunications services from the telecommunications administrative department in accordance with the law. Otherwise, such operator may be subject to penalties, including but not limited to rectification orders and fines.

On 30 November 2012, the MIIT issued the Circular of the Ministry of Industry and Information Technology on Further Standardising the Market Access-related Work for Businesses Concerning Internet Data Centres and Internet Service Providers (《工業和信息化部關於進一步規範因特網數據中心業務和因特網接入服務業務市場准入工作的通告》), which clarifies the application qualifications and licensing procedures for IDC and ICP licences, which clarify that an ICP licence is required for the operation of these two businesses, and further clarifies the requirements regarding capital, personnel, venues, facilities and others for enterprises applying for the provision of internet data centre and internet access services. With effect on and from 1 December 2012, telecommunications enterprises intending to operate internet data centres and providing internet access services shall apply to competent telecommunications department for an operation licence in accordance with the Circular.

The Interim Measures for the Supervision and Administration of Telecom Service Quality (《電信服務質量監督管理暫行辦法》) issued by the MIIT on 11 January 2001 and amended on 23 September 2014 apply to the supervision and administration of licensed telecommunications operators in the PRC. Pursuant to the Measures, the MIIT supervises and administers the quality of



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the telecommunications services provided by telecommunications service providers in accordance with applicable laws and regulations. Where a telecommunication services provider violates the telecommunications service standards and infringes upon the lawful rights and interests of users, the provider may be subject to a rectification order within a prescribed period, a warning or fines ranging from RMB500 to RMB10,000.

On 8 June 2020, MIIT promulgated the Notice of the Ministry of Industry and Information Technology on Strengthening the Administration of Call Centre Services (《工業和信息化部關於加強呼叫中心業務管理的通知》) (the “**Call Centre Services Notice**”), which has further strengthened the administration on admittance, codes, access, operation activities and certain other matters. According to the Call Centre Services Notice, for a call centre services provider, instant revisiting, information consulting and other outbound call services shall only be provided with the consent of the users.

## REGULATIONS ON INFORMATION SECURITY AND USER’S INFORMATION PROTECTION

### Overview of the Regulations

According to the Decision on the Maintenance of Internet Security (《關於維護互聯網安全的決定》) issued by the SCNPC on 28 December 2000, which was amended on 27 August 2009, any person who uses the internet to jeopardise the security of Internet operation, national security and social stability, the economic order of the socialist market and the social order, and the legal rights of other individuals, legal persons and other entities, such as personal right and property right, constitute an offence and shall be subject to criminal responsibility in accordance with the criminal law.

On 16 December 1997, the Ministry of Public Security issued the Measures for the Administration of the Security and Protection of Computer Information Networks with International Interconnections (《計算機信息網絡國際聯網安全保護管理辦法》), which took effect on 30 December 1997 and were amended by the State Council on 8 January 2011. According to the aforementioned measures, no entity or individual shall make use of international interconnections to sabotage national security, leak state secrets, infringe on the national, social or collective interests or the legal rights and interests of citizens, or engage in other illegal or criminal activities. If relevant entities violate any provisions of the measures, such entities may be subject to penalties such as the order of rectification within a specified period, warnings, confiscation of illegal gains, cancellation of operating license or interconnection qualifications.

The Cyber Security Law of the PRC (《中華人民共和國網絡安全法》) (the “**Cyber Security Law**”), which was promulgated on 7 November 2016 and came into effect on 1 June 2017, states that construction and operation of a network, or provision of services through a network shall be carried out in accordance with laws, administrative regulations and the compulsory requirements set forth in national standards, and technical measures and other necessary measures shall be taken to ensure safe and stable operation of the network, to effectively cope with cyber security events, to prevent criminal activities committed on the network, and to protect the integrity, confidentiality and availability of network data. The Cyber Security Law emphasises that any individuals and

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organisations that use networks must not jeopardise network security or use networks to engage in unlawful activities such as those jeopardising national security, economic order and social order or infringing the reputation, privacy, intellectual property rights and other lawful rights and interests of others. The Cyber Security Law has also reaffirmed certain basic principles and requirements on personal information protection previously specified in other existing laws and regulations. An internet service provider who violates any provisions and requirements under the Cyber Security Law may be subject to orders of rectification, warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of qualifications, closedown of websites or even being held criminally liable.

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

On 22 June 2007, the Ministry of Public Security, the State Secrecy Bureau and other relevant authorities jointly issued the Administrative Measures for the Hierarchical Protection of Information Security (《信息安全等級保護管理辦法》), which divides information systems into five grades and requires the operators of information systems ranking above Grade II to file an application with the local Bureau of Public Security within 30 days of the date of its security protection grade determination or since its operation.

On 15 December 2019, the Cyberspace Administration of China (the “**CAC**”), issued the Provisions on Ecological Governance of Network Information Content (《網絡信息內容生態治理規定》) (the “**CAC Order No. 5**”), which became effective on 1 March 2020, to further strengthen the regulation of network information content. Pursuant to the CAC Order No. 5, a network information content service platform is required (1) not to disseminate any information prohibited by laws and regulations, such as information jeopardising national security; (2) to strengthen the examination of advertisements placed on the advertisement space of or published on such network information content service platform; (3) to formulate and publish management rules and platform convention, improve user agreement, clarify users’ rights and obligations and perform management responsibilities required by laws, regulations, rules and convention; (4) to establish convenient channels in conspicuous position for complaints and reports; and (5) to prepare annual work report on its management of network information content ecology. In addition, a network information content service platform must not (1) utilise new technologies and applications such as deep-learning and virtual reality to commit activities prohibited by laws and administrative regulations; (2) commit online traffic fraud, malicious traffic rerouting and other activities related to fraudulent

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account, illegal transaction account or manoeuvre of users' account with manual or technical means; and (3) infringe a third party's legitimate rights or seek illegal interests by way of interfering with information display.

On 28 December 2021, the CAC and certain other administrative departments jointly promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》) (the “**Measures for Cybersecurity Review**”), which became effective on 15 February 2022 and provides that (1) internet platform operators holding over one million users' personal information shall apply with the Cybersecurity Review Office for a cybersecurity review when listing abroad; (2) operators of critical information infrastructure that intend to purchase internet products and services that will or may affect national security shall apply for a cybersecurity review, and (3) internet platform operators carrying out data processing that affects or may affect national security shall apply for a cybersecurity review. The PRC government authorities have wide discretion in the interpretation and enforcement of these laws and regulations, including identifying any entity which meets the above cybersecurity review criteria.

On 14 November 2021, the CAC promulgated the Network Data Security Management Regulations (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “**Network Data Regulations (Draft for Comments)**”) which further expands the scope of the application for security review, establishes the data classification and protection system, and defines the relevant rules for cross-border data management. It provides that data processors conducting the following activities shall apply for cybersecurity review: (1) merger, reorganisation or separation of Internet platform operators that maintain a large number of data resources related to national security, economic development or public interests that affect or may affect national security; (2) listing abroad (國外上市) of data processors processing over one million users' personal information; (3) listing in Hong Kong of data processors that affect or may affect national security; (4) other data processing activities that affect or may affect national security. The Network Data Regulations (Draft for Comments) also provides that where operators of large Internet platforms set up headquarters, operation centres or R&D centres overseas, they shall report to the national cyberspace administration and competent authorities. In addition, the Network Data Regulations (Draft for Comments) requires data processors processing over one million users' personal information to comply with the regulations on important data processors, including, among others, appointing a person in charge of data security and establishing a data security management body, filing with the competent authority within 15 working days after identifying its important data, formulating data security training plans and organising data security education and training for all staff every year, and that the education and training time for data security related technical and management personnel shall not be less than 20 hours each year. The Network Data Regulations (Draft for Comments) also requires that internet platform operators, when they formulate platform rules or privacy policies or make any amendments thereto that may have a significant impact on users' rights and interests, shall establish a disclosure policy for their platform rules, privacy policies and algorithm strategies related to data, and solicit public comments on their official websites and the internet platform of the industry association of personal information protection for no less than 30 working days. Platform rules and privacy policies formulated by operators of large Internet platforms with more than 100 million daily active users, or amendments to such rules or policies by operators of large Internet platforms with more than 100 million daily active users that

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may have significant impacts on users' rights and interests shall be evaluated by a third-party organisation designated by the national cyberspace administration authorities and reported to competent provincial authorities for cyberspace administration and telecommunications or above for approval.

On 7 July 2022, the CAC issued the Measures for the Security Assessment of Outbound Data Transfer (《數據出境安全評估辦法》), which came into effect on 1 September 2022. On 22 March 2024, the CAC issued the Regulations on Promoting and Regulating Cross-Border Data Flows (《促進和規範數據跨境流動規定》), which became effective on 22 March 2024, to adjust the Measures for the Security Assessment of Outbound Data Transfer. At present, a data processor shall apply to the national cyberspace administration for the security assessment of the outbound data transfer through the local provincial cyberspace administration if it provides data to abroad under any of the following circumstances: (i) provision of personal data or material data to abroad as a crucial information infrastructure operator; (ii) provision of material data to abroad as a data processor other than a crucial information infrastructure operator, or having provided personal data (excluding sensitive personal data) of over 1,000,000 people or sensitive personal data of over 10,000 people cumulatively to abroad since 1 January of the year. The Guidelines for the Application for the Security Assessment of Outbound Data Transfer (Second Edition) (《數據出境安全評估申報指南(第二版)》), which was issued by the CAC and came into effect on 22 March 2024, further clarifies that, among others, the scope of application, methods for declaration and the declaration process of the Security Assessment of Outbound Data Transfer.

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

According to the Decision of the Standing Committee of the National People's Congress on Strengthening Information Protection on Networks (《全國人民代表大會常務委員會關於加強網絡信息保護的決定》) promulgated on 28 December 2012, the State offers protection to electronic information through which individual citizens can be identified and which involves the individual privacy of citizens. All organisations and individuals shall not obtain electronic personal information of citizens by theft or any other illegal means and shall not sell or illegally provide others with electronic personal information of citizens.

On 20 August 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the “**Personal Information Protection Law**”), which consolidates the scattered rules with respect to personal information rights and privacy protection, became effective on 1 November 2021. The Personal Information Protection Law aims to protect personal information rights and interests, regulating the processing of personal information, ensuring the orderly and free flow of personal information in accordance with the law and promoting the reasonable use of personal information. Personal information, as defined in the Personal Information Protection Law, refers to various information related to identified or

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identifiable natural persons recorded by electronic or other means but excluding the anonymised information. The Personal Information Protection Law applies to personal information processing activities within China, as well as certain personal information processing activities outside China, including those for provision of products and services to natural persons within China or for analysing and assessing acts of natural persons within China.

On 10 June 2021, the SCNPC promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the “**Data Security Law**”), which became effective on 1 September 2021. The Data Security Law stipulates that data processing activities shall be carried out in accordance with the laws and regulations and sets out the requirements to establish and improve the full-process data security management systems, and relevant legal liabilities arising from failure to fulfill the data security protection obligations stipulated in the Law.

The Administrative Measures for Internet Information Services (《互聯網信息服務管理辦法》) promulgated by the State Council on 25 September 2000 and amended on 8 January 2011, the Regulations on Technical Measures of Internet Security Protection (《互聯網安全保護技術措施規定》) promulgated by the Ministry of Public Security on 13 December 2005 and became effective on 1 March 2006 and the Provisions on Protecting Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》) promulgated by the MIIT on 16 July 2013 and became effective on 1 March 2006 all set forth strict requirements on protecting personal information of internet users and require internet information service providers to maintain adequate systems to protect the security of such information. Personal information collected shall be used only in connection with the services provided by internet information service providers.

In addition, Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》) was promulgated by the MIIT on 29 December 2011 and came into effect on 15 March 2012. The provisions stipulate that an internet information service provider shall protect the personal data of the internet users in the following ways: (1) without consent of the users, an internet information service provider shall not collect data related to the users that can expose their identity alone or in combination with other data (the “**Users’ Personal Data**”), nor provide the Users’ Personal Data to others, except as otherwise provided by laws and administrative regulations. In the event that an internet information service provider collects the Users’ Personal Data with such users’ consent, it shall clearly inform the users of the method, content and purpose for collecting and processing such Users’ Personal Data. Any data so collected shall be necessary and adequate but not excessive for the purpose of provision of the services, and shall not be used for other purposes other than for the provision of the services; (2) an internet information service provider shall properly maintain the Users’ Personal Data, and immediately take remedial measures in the event that the Users’ Personal Data is leaked or may be leaked.

On 29 August 2015, the Ninth Amendment to the Criminal Law of the PRC (《中華人民共和國刑法修正案(九)》) was promulgated by the SCNPC and came into effect on 1 November 2015. According to the Ninth Amendment to the Criminal Law, an internet service provider that fails to fulfill its obligations for internet information security management required by laws and



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administrative regulations and refuses to make corrections as ordered shall be subject to criminal penalties, if its action: (1) results in any large-scale dissemination of illegal information; (2) results in any serious consequence caused by the leakage of the Users' Personal Data; (3) results in any loss of evidence of criminal cases, falling under serious circumstances; or (4) results in other serious circumstances. In addition, any individual or entity that (1) sells or provides personal data of a citizen to others in violation of relevant State regulations, or (2) steals or obtains any citizens' personal data with other illegal means is subject to criminal penalties in case of serious or extremely serious circumstances.

### **Applicability of the Regulations to the Group**

#### ***Applicability of the Measures for Cybersecurity Review to the Group***

The Measures for Cybersecurity Review regulates the acts of the operators of "critical information infrastructure" and "internet platform operators".

For "critical information infrastructure", in the opinion of the PRC Legal Adviser, as the Company has not received any notice from relevant regulatory department informing the Company that it has been deemed as "critical information infrastructure operator", the Company is not regulated by the Measures for Cybersecurity Review in this aspect.

For "internet platform operators", the scope of it has not been clearly defined in the Measures for Cybersecurity Review, but reference could be drawn from other relevant regulations. According to the Cyber Security Law, "network operators" includes owners, managers and network service providers. According to the Draft for Comments, "internet platform operators" refers to data processors that provide users with internet platform services such as information release, social networking, transaction, payment and audio-visual services. Given that the Measures for Cybersecurity Review focuses on data security risks arising from data processing activities and are not related to the specific classifications of network formats, in the opinion of the PRC Legal Adviser, the scope of the "internet platform operators" hereof is broad, and all subjects involved in the provision of management and services on the network may constitute "internet platform operators". Therefore, the Group, which is involved in the provision of management and services through the internet may be identified as a "internet platform operator" and hence may be required to apply for network security review as required under the following circumstances:

(1) *The Company's proposed listing in Hong Kong*

Under the Measures for Cybersecurity Review, internet platform operators holding over one million users' personal information shall apply with the Cybersecurity Review Office for a cybersecurity review when listing abroad. As at the Latest Practicable Date, the relevant laws in force do not separately provide for the cybersecurity review of the proposed listing in Hong Kong of relevant internet platform operators. Our PRC Legal Adviser is of the view that, Hong Kong is not included in the definition of "abroad" hereof, therefore a cybersecurity review application is not required. Besides, as at the Latest Practicable Date, the Group did

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not hold over one million users' personal information. Therefore, in the view of the PRC Legal Adviser, the Company is not required to apply for the network security review for its proposed listing in Hong Kong under the Measures for Cybersecurity Review.

*(2) The Group is carrying out data processing that affects or may affect national security*

Under the Measures for Cybersecurity Review, internet platform operators processing data processing that affects or may affect national security shall apply for a cybersecurity review. The Measures for Cybersecurity Review do not include detailed stipulations in assessing whether an activity “affects or may affect national security”, regulatory agencies have a wide range of discretion in this regard at present, so there is uncertainty whether the Group will be required to apply for network security review by the Cybersecurity Review Office. Nevertheless, in the opinion of the PRC Legal Adviser, taking into account the magnitude and sensitivity extent of the data processing of the Group, the likelihood of the Group being required to conduct network security review is low.

***Applicability of the Network Data Security Management Regulations (Draft for Comments) to the Group***

According to the Network Data Security Management Regulations (Draft for Comments) (the “**Network Data Regulations (Draft for Comments)**”), data processors conducting the following activities shall apply for cybersecurity review: (1) merger, reorganisation or separation of Internet platform operators that maintain a large number of data resources related to national security, economic development or public interests that affect or may affect national security; (2) listing abroad of data processors processing over one million users' personal information; (3) listing in Hong Kong of data processors that affect or may affect national security; (4) other data processing activities that affect or may affect national security.

As at the Latest Practicable Date, the Network Data Regulations (Draft for Comments) have not yet come into force. Our PRC Legal Adviser is of the view that, the competent authorities will not take the regulations as a reference at present, and the regulatory elements of “affect or may affect national security” in the draft for comments have not been clarified and therefore shall be subject to further interpretation and elaboration by the Cybersecurity Review Office.

As at the Latest Practicable Date, to the best knowledge, information and belief of our Directors after making all reasonable enquiries, the Group was not subject to any material fines or sanctions in relation to cybersecurity from the relevant government authorities.

In light of the above, our PRC Legal Adviser is of the view that, the Group is able to comply with the Measures for Cybersecurity Review and other relevant measures or regulations of the PRC in all material respects.



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If the Network Data Regulations (Draft for Comments) is implemented in the current form, and the Company does not fall within the scope of the regulatory elements “affect or may affect national security” to be further clarified by the competent authorities, such regulations will not have material adverse impact on the Group’s business operations or the Company’s proposed Listing in Hong Kong.

### *Application of the Measures for the Security Assessment of Outbound Data Transfer and the Regulations on Promoting and Regulating Cross-Border Data Flows*

According to the Measures for the Security Assessment of Outbound Data Transfer (《數據出境安全評估辦法》) and the Regulations on Promoting and Regulating Cross-Border Data Flows (《促進和規範數據跨境流動規定》) issued by the CAC, a data processor shall apply to the national cyberspace administration for the security assessment of the outbound data transfer through the local provincial cyberspace administration if it provides data to abroad under any of the following circumstances: (i) provision of personal data or material data to abroad as a crucial information infrastructure operator; (ii) provision of material data to abroad as a data processor other than a crucial information infrastructure operator, or having provided personal data (excluding sensitive personal data) of over 1,000,000 people or sensitive personal data of over 10,000 people cumulatively to abroad since 1 January of the year.

As at the Latest Practicable Date, (1) the Group is not involved in cross-border data transfers in its daily operations; and (2) our business is not involved in processing important data. Accordingly, our directors are of the view and confirm that the Group is under no obligation to apply for any security assessment of outbound data transfer with the CAC, and our PRC Legal Adviser concurs that such security assessment of outbound data transfer is not applicable to the Group.

### *Implementation of Internal Control Measures*

Currently, the Company has introduced “Personal Information Protection Compliance Management Measures V1.0 (《個人資訊保護合規管理辦法V1.0》, hereafter as the “**Management Measures**”) on 27 April 2022, which guaranteed the safety of the processed personal information and the rights and interests of relevant entities and prevented data leakage. The personal information protection office and departments of human resources, information security, operation and maintenance and legal compliance of the Company assume specified division of responsibilities in the management of personal information. Regarding the collection of personal information, we are promoting the employee privacy policy with 48 employees having signed up to the Employee Privacy Notice (《員工隱私通知》). Meanwhile, activities including the storage, usage, disclosure and cross-border transmission of personal information are all carried out in strict compliance with the Management Measures.

Regarding the confidentiality for other general business data and information, the Company has in place policies such as “Customer Information Confidentiality System” (《客戶資訊保密制度》), “Data Security Management Regulations”(《資料安全管理規定》), “Information Security

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Policy V2.0” (《信息安全性原則V2.0》). The daily business is conducted in stringent conformity with pertinent laws and regulations and the Company’s internal rules, as evidenced by the implementation of such measures as intragroup data access and subsequent personnel, physical and technological isolation.

### *Information Security Obligation for Content cached in the Edge Nodes*

Information security equipment is deployed in all edge nodes of our Edge Computing Services operation, strictly following the security standard required for the protection of data and cyber security. In addition, as required by MIIT, the security standard of information security systems employed in the edge nodes shall be examined by China Academy of Information and Communication Technology (中國信息通信研究院) and complete the filing before they can be approved for operation in the edge nodes.

Based on the foregoing, having taken into account the view and analysis of the Directors and the Company’s PRC legal adviser in respect of PRC data compliance law on the aforementioned recent regulatory developments as well as the due diligence conducted, and having discussed with the Company’s PRC legal adviser in respect of the compliance status and the internal control measures of the Company with the existing PRC laws and regulations in relation to data compliance, including Personal Information Protection Law and cybersecurity and data protection laws and regulations, nothing material has come to the attention of the Sole Sponsor as non-legal expert which would cause it to cast doubt on the reasonableness of the Directors’ view on the impact of the Network Data Regulations (Draft for Comments) and Measures for Cybersecurity Review Regulations on the Company.

## REGULATIONS ON WEB 3.0 MARKET — EDGE COMPUTING

At present, there are no specific laws and regulations regulating edge computing in the PRC. Apart from the abovementioned laws and regulations in relation to data security and network security such as the Cyber Security Law, the Data Security Law and the Personal Information Protection Law, entities carrying out edge computing business are also recommended to refer to the following recommended national standards:

On 12 October 2022, the State Administration for Market Regulation, Standardisation Administration issued the national standard GB/T 41780.1-2022 “Internet of Things-Edge Computing-Part 1: General Requirements” (國家標準GB/T 41780.1-2022 《物聯網邊緣計算 第1部分：通用要求》), managed by TC28 (China National Information Technology Standardisation Network) (全國信息技術標準化技術委員會) and implemented by TC28SC41 (Internet of Things Branch of China National Information Technology Standardisation Network) (全國信息技術標準化技術委員會物聯網分技術委員會). The national standard proposes a system architecture and a functional architecture for IoT edge computing and specifies functional requirements, which are applicable to the design, development and application of edge computing nodes in IoT systems. It guides the design and development of edge computing systems, promotes the healthy and rapid development, in-depth collaboration, digital innovation as well as implementation of industrial applications in the industry.

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On the same date, the State Administration for Market Regulation, Standardisation Administration issued the national standard GB/T 42564-2023 “Information Security Technology-Security Technical Requirements for Edge computing Security” (《信息安全技術邊緣計算安全技術要求》), which focuses on analysing the security risks of edge computing systems introduced by cloud-side collaborative control, computing storage hosting, and open edge capabilities. It established a reference model for edge computing security and proposed technical requirements for edge computing security in terms of application security, network security, data security, infrastructure security, physical environment security, security operation and maintenance, and security management. It helps entities involved in edge computing to enhance their ability to resist a wide range of security threats during the research and development, testing, production, and operation of edge infrastructures.

### REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

#### Copyright and Software Registration

The Copyright Law of the PRC (《中華人民共和國著作權法》) (the “**Copyright Law**”) was promulgated by the SCNPC in 1990 and amended in 2001, 2010 and 2020, respectively. The Copyright Law stipulates Chinese citizens, legal persons or other organisations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software created in writing or oral or other forms. A copyright holder shall enjoy a number of rights, including the right of publication, the right of authorship and the right of reproduction.

The Regulation on Computer Software Protection (《計算機軟件保護條例》), which was promulgated by the State Council on 4 June 1991 and amended in 2001 and 2013, respectively, aims to protect the rights and interests of copyright owners of computer software, regulate the relationship of interests generated in the development, dissemination and use of computer software, encourage the development and application of computer software, and promote the development of software industry and the informatisation of national economy. According to the Regulation on Computer Software Protection, Chinese citizens, legal persons or other entities have copyright to the software created by them, regardless of whether or not it is published. Software copyright owners may register with the software registration agencies acknowledged by the copyright administrative department under the State Council. The registration certificate issued by the software registration agencies shall be the preliminary evidence for the registration. Software copyrights of legal persons or other entities are protected for a period of 50 years, ending on 31 December of the fiftieth year after the software was first published. However, if a software has not been published within 50 years from the date of completion of development, it will no longer be protected.

The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), which was promulgated by the National Copyright Administration on 20 February 2002, applies to the registration of software copyright, the exclusive licensing contracts and the assignment contracts of software copyright. The National Copyright Administration is mainly responsible for the registration and management and acknowledgement of national software

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copyright and designates the China Copyright Protection Centre as the agency for software registration. The China Copyright Protection Centre will issue certificates of registration to computer software copyright applicants.

### Trademark

The registered trademark applied for in China are protected by the Trademark Law of the PRC (《中華人民共和國商標法》), which was approved in 1982 and subsequently amended in 1993, 2001, 2013 and 2019, respectively, as well as the Implementation Regulation of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) approved by the State Council in 2002 and amended in 2014. The Trademark Office under the State Intellectual Property Office is responsible for handling trademark registrations and grants a term of ten years for the registered trademarks which may be renewed for consecutive ten-year periods upon request by the trademark owner. Trademark license agreements must be filed with the Trademark Office for the record. A trademark license without filing shall not be enforceable against a bona fide third party. The Trademark Law of the PRC has adopted a first-to-file principle with respect to trademark registration. Where a trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected by the Trademark office. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance by improper means a trademark that has already been used by another party and has already gained a certain degree of influence through such party's use.

### Patent

The SCNPC promulgated the Patent Law of the PRC (《中華人民共和國專利法》) in 1984, which was amended in 1992, 2000, 2008 and 2020, respectively. A patentable invention, utility model or design must meet three conditions: novelty, inventiveness and practical applicability. Patents shall not be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds, means of nuclear transformation and substances obtained by means of nuclear transformation and designs mainly used for identification of patterns, colors or a combination of both in flat prints. The Patent Office under the State Intellectual Property Office is responsible for receiving, examining and approving patent applications. A patent is valid for twenty years for an invention, ten years for a utility model and fifteen years for appearance design<sup>1</sup>, starting from the application date. Except under certain specific circumstances provided by laws, any third-party user must obtain consent or a proper license from the patent holder to use the patent, otherwise the use will constitute an infringement of the rights of the patent holder.

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<sup>1</sup> According to the Announcement No. 510 of the State Intellectual Property Office — Interim Measures for Handling the Examination Related to the Implementation of the Revised Patent Law (《國家知識產權局公告第510號—關於施行修改後專利法的相關審查業務處理暫行辦法》), the protection period for appearance design is ten years from the application date if such date is before 31 May 2021 (inclusive).

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### Domain Name

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the MIIT on 24 August 2017 and became effective on 1 November 2017, domain names are registered on a “first-come, first-served” basis. The domain names registered or used by an entity or individual shall not contain any contents prohibited by laws and administrative regulations. A domain name registration applicant shall provide the domain name registration service agency with the information for domain name registration such as true, accurate and complete identity information of the domain name holder.

### REGULATIONS ON PROPERTY

According to the Civil Code of the PRC (《中華人民共和國民法典》) approved by the NPC on 28 May 2020 and became effective on 1 January 2021, the creation, change, transfer and cancellation of real estate rights shall be registered in accordance with the law. The creation and transfer of movable property rights shall be delivered in accordance with the law. Owners shall have the rights to possess, use, benefit from and dispose of their real estate or movable properties in accordance with the law.

According to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development of the People’s Republic of China on 1 December 2010 and become effective on 1 February 2011, a lessor and a lessee are required to enter into a lease contract in accordance with the law. Within 30 days after the lease contract is entered into, the parties to the lease shall file the lease for registration with the competent authorities for construction (real estate) of the people’s government of the municipality, city or county where the leased house is located. If the lease registration and filing are not carried out as required, the relevant competent authorities may order them to make a rectification within a specified period or impose a fine on them.

### REGULATIONS ON LABOUR

According to the Labour Contract Law of the PRC (《中華人民共和國勞動法》), which was approved by the SCNPC on 5 July 1994 and subsequently amended in 2009 and 2018 and the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) (the “Labor Contract Law”), which was approved by the SCNPC on 29 June 2007 and amended on 28 December 2012, employers shall formulate and improve rules and regulations in accordance with the law to ensure the employees to enjoy their rights and perform their duties as employees. A labour contract is an agreement between an employee and an employer to establish the employment relationship and clarify the rights and obligations of both parties. Employers are required to enter into written contracts with their employees, restrict the use of temporary workers and aim to give employees long-term job security.

According to the Labour Contract Law, where an employment relationship has already been established with an employee but no written labour contract has been entered into simultaneously, a written labour contract shall be entered into within one month from the date when the employee

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begins to work. If an employer fails to enter into a written labour contract with an employee after the lapse of more than one month but less than one year commencing from the day on which the employee begins to work for such employer, it shall pay a double salary per month to the worker. If the employer fails to enter into a written labour contract with an employee after the lapse of one full year from the date on which the employee begins to work for it, the employer and the employee are deemed to have entered into a labour contract without a fixed term.

According to the Social Insurance Law of the People's Republic of China 《中華人民共和國社會保險法》 (the "Social Insurance Law") promulgated by SCNPC on 28 October 2010, which became effective on 1 July 2011 and was amended on 29 December 2018, the Regulation of Insurance for Work-Related Injury 《工傷保險條例》 promulgated by the State Council on 27 April 2003, became effective on 1 January 2004 and amended on 20 December 2010, the Provisional Measures on Insurance for Maternity of Employees 《企業職工生育保險試行辦法》 promulgated by the Ministry of Labour on 14 December 1994 initially and became effective on 1 January 1995, the Regulation of Unemployment Insurance 《失業保險條例》 promulgated by the State Council on 22 January 1994 and became effective on the same date, the Decision of the State Council on Setting Up Basic Medical Insurance System for Staff Members and Workers in Cities and Towns 《國務院關於建立城鎮職工基本醫療保險制度的決定》 promulgated by the State Council on 14 December 1998 and became effective on the same date, and the Interim Regulation on the Collection and Payment of Social Insurance Premiums 《社會保險費征繳暫行條例》 promulgated by the State Council and became effective on 22 January 1999 and amended on 24 March 2019, an employer is required to contribute the social insurance for its employees in the PRC, including the basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and injury insurance. According to the Social Insurance Law, if an employer fails to process social insurance registration, the social insurance administrative department shall deliver to the employer concerned an order for rectification within a prescribed period. If no rectification is carried out by the expiry of the prescribed period, the employer is liable for a fine at an amount no less than two times, but no more than three times of, the assessed social insurance contribution, and the person in charge who bear direct responsibilities and other persons with direct responsibilities are liable for a fine over RMB 500 but less than RMB 3000. If an employer fails to pay social insurance contributions on time and in full, the social insurance contributions collecting agency may place an order with the employer demanding full payment within a prescribed period, and a fine overdue payment will be imposed at 0.05 percent on a daily basis as from the date of arrear. If the payment is not made at the expiry of the prescribed period, a fine above the overdue amount but less than three times of it will be imposed by the authoritative administrative department.

Under the Regulations on the Administration of Housing Funds 《住房公積金管理條例》 promulgated by the State Council and became effective on 3 April 1999 and amended on 24 March 2002 and 24 March 2019, respectively, an employer is required to make contributions to a housing provident fund for its employees. Where an employer fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening the housing provident fund accounts for its staff and workers, the housing provident fund management centre shall order it to go through the formalities within a prescribed time limit, failing which, a fine of not less than RMB 10,000 but more than RMB 50,000 shall be imposed. Employers shall pay and



## REGULATORY OVERVIEW

deposit housing provident fund on time and in full, and shall not be default in payment and deposit of, or not underpay, the housing provident fund. The payment and deposit rates for the housing provident fund of both employees and employers shall not be less than 5% of the average monthly salary of an employee in the previous year. Where an enterprise fails to deposit the housing provident funds within the time limit or underpays the funds for its employees, the housing fund management centre may order it to deposit the funds within a time limit, failing which the competent administration authority may apply to the people's court for enforcement.

### REGULATIONS ON DIVIDEND DISTRIBUTION

The Company Law provides the principal regulations relating to dividend distribution. The dividend distribution of wholly foreign-owned enterprises is further governed by the Foreign Investment Law and its Implementation Rules.

According to the aforesaid laws and regulations, companies in China, including wholly foreign-owned enterprises, are required to set aside at least 10% of their after-tax profit based on PRC accounting principles to their statutory reserves each year until the cumulative amount of such reserves reaches 50% of their registered capital. Statutory reserves are not distributable as cash dividends. If the aggregate balance of a company's statutory reserves is not enough to make up for the losses of the company of the previous years, the current year's profits shall first be used for making up the losses before the statutory reserves is drawn. After the company has transferred its after-tax profits to statutory reserves, it may, upon a resolution made by the shareholders' meeting or general meeting, transfer its after-tax profits to a discretionary reserve. The proportion of the discretionary reserve shall be determined by the company. After the losses have been made up and transferred to statutory reserves and discretionary reserves have been made, the remaining after-tax profits can be distributable as cash dividends.

### REGULATION ON FOREIGN EXCHANGE

The principal administrative regulation governing foreign currency exchange in China is the Regulation on the Control of Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) (the “**Regulation on the Control of Foreign Exchange**”), promulgated by the State Council on 29 January 1996 and became effective on 1 April 1996 as amended on 14 January 1997 and 5 August 2008, respectively. Under the Regulation on the Control of Foreign Exchange, the State does not restrict the international payment and transfer for current account items, including the goods, services, gains and recurring transaction items in the balance of payment, but not for capital account items, such as direct investments, loans, capital transfer and investments in securities, unless prior approval of the SAFE is obtained and prior registration with the SAFE is made.

According to the Regulation on the Administration of the Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) promulgated by the PBOC on 20 June 1996 and became effective on 1 July 1996, foreign-invested enterprises in China may purchase or remit foreign currency for settlement of current account transactions without the approval of the SAFE. Foreign currency transactions under the capital account are still subject to the approvals from, or registration with, the SAFE and other relevant PRC governmental authorities.



## REGULATORY OVERVIEW

The Notice of the SAFE on Further Improving and Adjusting Policies Relating to Foreign Exchange Administration in Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》), which was promulgated by the SAFE on 19 November 2012 and became effective on 17 December and was last amended on 30 December 2019, substantially simplifies the previous foreign exchange approval procedure, when which the opening of and payment into foreign exchange accounts under direct investment accounts are no longer subject to approval by the SAFE but handled by banks according to the registration information in the relevant business system of the SAFE.

According to the Notice of the State Administration of Foreign Exchange on Reforming and Standardising the Administrative Provisions on Capital Account Foreign Exchange Settlement (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), which was promulgated by the SAFE on 9 June 2016 and became effective on the same date, the foreign exchange receipts under the capital account including foreign exchange capital, external debt and remittance of the proceeds raised from the overseas listing could be applied to discretionary settlement in accordance with relevant policies and the settlement can be handled by a bank based on the actual needs of the domestic entities. RMB funds from the discretionary settlement of foreign exchange receipts shall be included in management of accounts for foreign exchange settlement and pending payment. The proportion of discretionary settlement of foreign exchange receipts of domestic entities under the capital items is temporarily set at 100%. The SAFE may adjust the aforesaid proportion in due time based on the BOP situations. A domestic entity shall comply with the following regulations in using foreign exchange receipts under the capital item and the RMB funds gained from foreign exchange settlement: (1) they shall not be used directly or indirectly as the expenses beyond the business scope or the expenses prohibited by laws and regulations; (2) unless otherwise expressly specified, they shall not be used directly or indirectly in securities investment or other investment and wealth management other than banks' principal guaranteed products; (3) they shall not be used to grant loans to non-related companies, save as the cases expressly permitted in the business scope; and (4) they shall not be used to build or buy non-self-use real estate (excluding real estate developer).

According to the Notice of the SAFE on Issues Relating to Foreign Exchange Administration of Overseas Investments and Financing and Round-trip Investments by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), which was promulgated by the SAFE on 4 July 2014 and became effective on the same date, a domestic resident shall apply to the SAFE for foreign exchange registration for overseas investments before it contributes to a special purpose vehicle with domestic and overseas legal assets or interests. A domestic resident who contributes with domestic legal assets or interests shall apply for registration with the SAFE in the place of registration or the SAFE in the place where the domestic enterprise's assets or interests are located. A domestic resident who contributes with overseas legal assets or interests shall apply for registration with the SAFE in the place of registration or the SAFE in the place of his/her domicile.

## REGULATORY OVERVIEW

The Notice of the SAFE on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was promulgated by the SAFE on 13 February 2015 and became effective on 1 June 2015 and was last amended on 30 December 2019, abolished the administrative approval under the foreign exchange registration approval of overseas direct investments. Instead, banks shall directly examine and handle foreign exchange registration of overseas direct investments, and the SAFE and its local branches shall indirectly regulate the foreign exchange registration of direct investment through banks. A domestic individual resident who makes overseas investments with domestic assets or interests shall apply for foreign exchange registration for the special purpose vehicles of domestic individual residents with the bank in the place where the assets and interest of the domestic enterprise are located.

### REGULATIONS ON TAXATION

#### Enterprise Income Tax

According to the Enterprise Income Tax Law of PRC (《中華人民共和國企業所得稅法》), which was adopted by the NPC on 16 March 2007, implemented from 1 January 2008, and subsequently amended by the SCNPC on 24 February 2017 and 29 December 2018, respectively, and the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) laid down by the State Council on 6 December 2007 and became effective on 1 January 2008, and subsequently amended on 23 April 2019 (collectively, the “**EIT Law**”), a resident enterprise shall pay enterprise income tax on its income originating from both in and outside PRC at an enterprise income tax rate of 25.0%. Foreign-invested enterprises in the PRC, which fall into the category of resident enterprises, shall pay enterprise income tax for the income originated from domestic and overseas sources at an enterprise income tax rate of 25.0%. The actual management body (refers to the body that has de facto management and control with respect to the production, operations, personnel, finance, property and other aspects of the enterprise) established under laws of overseas countries or regions shall be regarded as resident enterprises if it is located within the territory of China, and shall pay enterprise income tax at the rate of 25.0% on its income originating from both in and outside PRC. A non-resident enterprise having no office or establishment in China, or a non-resident enterprise whose income has no actual connection to its office or establishment in China shall pay enterprise income tax on the incomes derived from China at a rate of 10.0%, unless otherwise agreed in the tax treaty or arrangement signed by the PRC and the countries or regions where non-resident enterprises are located.

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was promulgated by the STA on 21 August 2006 and became effective on the same date, where a company incorporated in Hong Kong holds 25.0% or more interest in a PRC company, dividends received from companies incorporated in China are subject to withholding tax at a lower rate of 5.0%.

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According to the Announcement of STA on Issues concerning “Beneficial Owners” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》) issued on 3 February 2018 by the STA and became effective on 1 April 2018, the capacity of the “beneficial owner” in the terms of dividends, interests and licensing fees shall be determined as stipulated therein.

According to the EIT Law, high and new technology enterprises whose development is encouraged by the State are entitled to a 15.0% enterprise income tax rate rather than the 25.0% uniform statutory tax rate. The preferential tax treatment continues as long as an enterprise can retain its high and new technology enterprise status. According to the Measures for Handling Enterprise Income Tax Preferences (Revision 2018) (《企業所得稅優惠政策事項辦理辦法(2018修訂)》) the “Measures for Handling Enterprise Income Tax Preferences”, which was amended by the STA on 25 April 2018, enterprises enjoying enterprise income tax preferences shall apply the concept of “making independent judgement, application for enjoying the preferences and retaining relevant information for future reference”. An enterprise shall, based on its operating condition and in accordance with related tax provisions, independently determine whether it satisfies the conditions required for enterprise income tax preferences. Those who meet the conditions may independently calculate the tax deductions or exemptions according to the time listed in the Catalogue for the Administration of Enterprise Income Tax Preferences (Revision 2017) (《企業所得稅優惠事項管理目錄(2017年版)》), and enjoy tax incentives by filing enterprise income tax returns. Meanwhile, they shall, in accordance with relevant provisions, collect and retain the relevant materials for future reference.

### Value-added Tax

According to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on 13 December 1993 and became effective on 1 January 1994 and subsequently amended on 10 November 2008, 6 February 2016 and 19 November 2017, respectively, and the Implementing Rules for the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) promulgated by MOF and became effective on 25 December 1993 and subsequently amended on 15 December 2008 and 28 October 2011, respectively, entities and individuals engaging in the sale of goods or providing processing, repair and assembly services, sale of services, intangible assets, immovable and importation of goods in the PRC are the taxpayers and shall be subject to value-added tax. Unless otherwise specified, the tax rates are as follows: 17.0% for taxpayers engaging in the sale of goods, labour services, leasing services for tangible movable assets, or importation of goods; 11.0% for taxpayers engaging in sale of transportation, postal, basic telecommunications, construction, immovable asset leasing services, sale of immovable assets, transfer of land use rights, and sale or importation of specific goods; 6.0% for taxpayers engaging in provision of services and sale of intangible assets; zero for taxpayers engaging in importing goods; zero for domestic entities and individuals engaging in the sale of cross-border services and intangible assets within the scope prescribed by the State Council.

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According to the Notice of MOF and STA on Fully Launch of the Pilot Scheme for the Conversion of Business Tax to Value-Added Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) promulgated by the MOF and STA on 23 March 2016 and came into effect on 1 May 2016, and subsequently amended on 11 July 2017 and 20 March 2019, respectively, from 1 May 2016 onwards, the pilot reform for the transition from business tax to value-added tax is implemented nationwide with the approval of the State Council.

The Circular of Ministry of Finance and STA on Adjusting Value-added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》), which was promulgated by the MOF and STA on 4 April 2018 and came into effect on 1 May 2018, adjusts the applicable rate of VAT and stipulates that for a taxpayer who engages in a taxable sales activity for the VAT purpose or importation of goods, the previous applicable tax rates of 17.0% and 11.0% would be adjusted to 16.0% and 10.0%, respectively.

According to the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) promulgated by MOF, STA and General Administration of Customs on 20 March 2019 and came into effect on 1 April 2019, for a general value-added taxpayer who engages in a taxable sales activity for the VAT purpose or importation of goods, the previous applicable tax rate of 16.0% will be adjusted to 13.0%; and the previous applicable tax rate of 10.0% will be adjusted to 9.0%.

### **City Maintenance and Construction Tax and Educational Surcharges**

According to the Provisional Regulations of the People's Republic of China on City Maintenance and Construction Tax (《中華人民共和國城市維護建設稅暫行條例》) promulgated by the State Council on 8 February 1985 and amended on 8 January 2011, all entities and individuals who are taxpayers of consumption tax, value-added tax, and business tax shall pay urban maintenance and construction tax. The computation of City Maintenance and Construction Tax shall be based on the amount of consumption tax, value-added tax and business tax actually paid by the entities and individuals, and the tax shall be paid together with the payment of consumption tax, value-added tax and/or business tax. The tax rates are as follows: 7.0% for taxpayers the domiciles of which/whom are in urban areas; 5.0% for taxpayers the domiciles of which/whom are in county or township centres; 1.0% for taxpayers the domiciles of which/whom are in places other than urban areas, county and township centres.

The Urban Maintenance and Construction Tax Law of the People's Republic of China (《中華人民共和國城市維護建設稅法》), which was approved by the SCNPC on 11 August 2021 and became effective on 1 September 2021, replaced the Provisional Regulations of the People's Republic of China on City Maintenance and Construction Tax. According to the provisions of the aforesaid laws, the entities and individuals that pay value-added tax (VAT) or consumption tax within the territory of the PRC are taxpayers of urban maintenance and construction tax. The tax basis of urban maintenance and construction tax shall be the amount of value-added tax or consumption tax actually paid by taxpayers in accordance with the law. The tax rates are as

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follows: 7.0% for taxpayers the domiciles of which/whom are in urban areas; 5.0% for taxpayers the domiciles of which/whom are in county or township centres; 1.0% for taxpayers the domiciles of which/whom are in places other than urban areas, county and township centres.

According to the Interim Provisions on the Collection of Educational Surcharges (《徵收教育費附加的暫行規定》) promulgated by the State Council on 28 April 1986 and subsequently amended on 7 June 1990, 20 August 2005 and 8 January 2011 respectively, educational surcharges shall be collected on the basis of the amount of value-added tax or consumption tax actually paid by entities and individuals, collected at the rate of 3.0%, and paid simultaneously with value-added tax and consumption tax.

### REGULATIONS ON M&A AND OVERSEAS LISTINGS

According to the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”), which was promulgated by six PRC regulatory agencies, namely the MOFCOM, SASAC, STA, SAIC (predecessor of SAMR), China Securities Regulatory Commission (“**CSRC**”) and SAFE on 8 August 2006 and became effective on 8 September 2006 and subsequently amended on 22 June 2009, foreign investors shall comply with the M&A Rules if they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus converting the status of the domestic company into a foreign-invested enterprise; or if the foreign investors establish a foreign-invested enterprise in the PRC, and purchase and operate the assets of a domestic company through such company; or if the foreign investors purchase the asset of a domestic company, and establish a foreign-invested enterprise by injecting and operating such assets. The M&A Rules require that approval from CSRC shall be obtained for the overseas listing and trading of offshore companies directly or indirectly controlled by PRC domestic companies or natural persons for the purpose of overseas listing via interest in domestic companies actually held by them.

On 6 July 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council jointly issued the Opinion on Severely Punishing Illegal Activities in Securities Market (《關於依法從嚴打擊證券違法活動的意見》), which stresses on strengthening the review of overseas listing of enterprises, and requires strengthening cross-border regulatory cooperation and improving laws and regulations on data security, cross-border data flow and management of confidential information, including the confidentiality and document management of securities issuance and listing outside the PRC to increase the accountability for information security of Chinese overseas listed companies, and promote the establishment of relevant regulatory regime and systems to deal with risks and events faced by Chinese overseas listed companies.

On 17 February 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the “**Trial Administrative Measures**”) and five supporting guidelines (collectively, the “**Overseas Listing Trial Measures**”), which have become effective on 31 March 2023. Pursuant to the Trial Administrative Measures, PRC domestic enterprises that directly or indirectly offer or list their securities in an overseas market, which include (i) any PRC company limited by shares; and



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(ii) any offshore company that conducts its business operations primarily in China and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests, are required to file with the CSRC within three Business Days after its application for overseas listing is submitted. Failure to complete the filing under the Trial Administrative Measures may subject a PRC domestic enterprise to rectification ordered by the CSRC, warnings, and fines of RMB1.0 million to RMB10.0 million.

According to the Overseas Listing Trial Measures, PRC domestic enterprises that directly or indirectly offer or list their securities in an overseas market shall file with the CSRC and submit relevant information. The Overseas Listing Trial Measures stipulates that the overseas issuance of shares and listing is specifically prohibited if any of the following circumstances exists: (1) the listing and financing are specifically prohibited by the PRC laws and regulations; (2) the relevant competent authorities of the State Council have determined by examination in accordance with the law that the overseas offering and listing may jeopardise national security; (3) the domestic enterprise, or its controlling shareholders or the de facto controller, has been involved in embezzlement, bribery, conversion of property, misappropriation of property or criminal offences against the socialist market economic order within the last three years; (4) the domestic enterprise is being investigated by law for suspected crimes or major violations of laws and regulations, where the opinion on the conclusion is not clear; or (5) there is a major ownership dispute over the shareholdings held by the controlling shareholders or shareholders under the domination of the controlling shareholders and/or de facto controllers. Overseas offering and listing activities of an unlisted domestic enterprise should strictly comply with foreign investment, network security, data security and other national security laws and regulations, and effectively fulfil their obligations to safeguard national security.

Our PRC Legal Adviser is of the opinion that the Company does not have any of the abovementioned circumstances. We submitted the filing application to the CSRC on 5 June 2023 with respect to the submission of our application for the proposed Listing and Global Offering to the Stock Exchange and our filing application was formally accepted by the CSRC on 12 June 2023. Subsequently, the CSRC published the notification on our completion of the required filing procedures on 2 April 2024. As at the Latest Practicable Date, the Company has not been prohibited from issuing shares and listing overseas and is in compliance with the provisions of the Overseas Listing Trial Measures.

On the same date, the CSRC promulgated the Notice on the Arrangement for the Filing-based Administration of Overseas Securities Offering and Listing by Domestic Enterprises (《關於境內企業境外發行上市備案管理安排的通知》) (the “**Arrangement for Filing-based Administration**”). According to the Arrangement for Filing-based Administration, PRC domestic enterprises shall not be required to complete the filing procedures if all of the following conditions are met: (i) the application for indirect overseas offering or listing shall have been approved by the overseas regulatory authorities or the overseas stock exchanges (for example, a contemplated offering and/or listing in Hong Kong has passed the hearing) prior to the effective date of the Trial Administrative

## REGULATORY OVERVIEW

Measures; (ii) it is not required to re-perform the overseas regulatory procedures for overseas securities offering and listing; and (iii) such overseas securities offering or listing shall be completed before 30 September 2023. From 31 March 2023, domestic enterprises that have submitted valid applications for overseas offerings and listings but have not obtained the approval from overseas regulatory authorities or overseas stock exchanges shall complete the filing procedures with the CSRC prior to their overseas offerings and listings.

On 24 February 2023, the China Securities Regulatory Commission and other relevant government departments promulgated the “Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies” (hereinafter referred to as “**Confidentiality Regulations**”), which has come into effect on 31 March 2023. According to the Confidentiality Regulations, a domestic company that provides or publicly discloses, or through its overseas listed entity to provide or publicly disclose, to other entities such as securities companies, securities service providers and overseas regulators, or individuals, such documents and data relating to national secret or classified documents of state authorities, shall first obtain approval from competent authorities in accordance with law, and file with the secrecy administrative department at the same level. A domestic company that provides accounting documents or duplicate copies of accounting documents to relevant entities such as securities companies, securities service providers, and overseas regulators, or individuals, shall fulfill relevant procedures stipulated under applicable state regulations.



## HISTORY AND REORGANISATION

### OVERVIEW

Our business commenced in October 2013 when Mr. Sun and Mr. Ji co-founded Jiangsu Yiru, a company which was initially engaged in ICT Services and Other Services related business. The business of our Group was later expanded to IDC Solution Services in January 2016 when one of our main Consolidated Affiliated Entities, Cloud Factory, was established. Over the years, we developed, operated and delivered primarily IDC Solution Services which contributed to the majority of our revenue. As at the Latest Practicable Date, we had developed established bonds with our major suppliers, state-owned telecommunication carriers, whose infrastructure support formed the backbone of our IDC Solution Services. We ranked the 11<sup>th</sup> in the Internet data centre industry among carrier-neutral service providers in terms of revenue with a market share of 0.6%. Leveraging our success of our IDC Solution Services operation, we launched Edge Computing Services under the brand of *Lingjing Cloud* in 2022. We started to realise revenue from our Edge Computing Services in 2022. For details, please refer to the paragraph headed “Business — Our Services — Edge Computing Services” in this prospectus.

Our founders, Mr. Sun, our executive Director and the chairman of our Board, together with Mr. Ji, our executive Director and deputy general manager of our Group, established Jiangsu Yiru and Cloud Factory, our main Consolidated Affiliated Entity. Mr. Sun funded his initial investment in Jiangsu Yiru and Cloud Factory with his own resources and savings. For further details of the background and experience of Mr. Sun and Mr. Ji, please refer to the section headed “Directors and Senior Management” in this prospectus.

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

### OUR MILESTONES

The following table sets forth our key development milestones:

<u>Year</u>	<u>Event</u>
2013	● Jiangsu Yiru, one of our main Consolidated Affiliated Entities, was established.
2015	● Cloud Factory, one of our main Consolidated Affiliated Entities, was established.

## HISTORY AND REORGANISATION

Year	Event
2016	<ul style="list-style-type: none"> <li>● We obtained the ICP Licence and began operating as a data centre solution service provider. We started providing comprehensive colocation and infrastructure management services and procuring data centre resources from state-owned telecommunication carriers.</li> <li>● We secured partnership with Supplier A in the establishment of data centres and joint exploration of data centre solution service market in Shandong Province.</li> </ul>
2017	<ul style="list-style-type: none"> <li>● We began cooperating with Supplier A in other provinces and cities in the PRC.</li> </ul>
2018	<ul style="list-style-type: none"> <li>● We were recognised as a “High and New Tech Enterprise” (高新技術企業) by Jiangsu Provincial Department of Science and Technology (江蘇省科學技術廳), Jiangsu Provincial Department of Finance (江蘇省財政廳) and Jiangsu Provincial Administration of Taxation of the STA (國家稅務總局江蘇省稅務局).</li> <li>● We obtained our first order from Client B, a leading AI company with a strong Internet foundation, based in the PRC and listed on the Stock Exchange, to whom we provided IDC Solution Services. Since then Client B had remained one of our five largest clients during the Track Record Period.</li> </ul>
2019	<ul style="list-style-type: none"> <li>● Cloud Factory was admitted into the Cultivation Database of Wuxi Gazelle Enterprises (無錫市瞪羚企業培育庫) as a fast growing innovation enterprise by the Wuxi Municipal Science and Technology Bureau (無錫市科學技術局).</li> </ul>
2020	<ul style="list-style-type: none"> <li>● We secured orders for IDC Solution Services from a number of industry-leading cloud computing service providers and Internet companies in the PRC who became our new important clients. For details, please refer to the paragraph headed “Business — Our Clients” in this prospectus.</li> <li>● We obtained ISO 20000 certification for information technology services management system and ISO 27001 certification for information security management system.</li> </ul>
2021	<ul style="list-style-type: none"> <li>● We obtained orders from another leading TMT company in the PRC which is listed on the Stock Exchange.</li> </ul>

## HISTORY AND REORGANISATION

Year	Event
2022	<ul style="list-style-type: none"> <li>● We launched our Edge Computing Services and obtained our first order.</li> <li>● We began cooperation with a government-funded scientific research institute to jointly conduct Metaverse research and development and set up a joint innovation laboratory.</li> </ul>
2023	<ul style="list-style-type: none"> <li>● We obtained the Pre-IPO Investment for a total amount of RMB25,000,000.</li> <li>● Our Group entered into the Cooperation Agreement on the Construction of Artificial Intelligence and Edge Computing Joint Laboratory (人工智能與邊緣計算聯合實驗室建設合作協議書) with the College of Software of Xi'an Jiaotong University (西安交通大學軟件學院).</li> <li>● Our Group entered into a cooperation framework agreement on the development and application of intelligent new energy commercial vehicle with a commercial vehicle manufacturer and a technology company.</li> <li>● Our Group preliminarily established the coverage of cross-regional edge computing network for the operation of our <i>Lingjing Cloud</i> in Northern China.</li> <li>● Our EdgeCDN Services under the brand of <i>Lingjing Cloud</i> has been recognised as one of the “Internet facilitates the digital transformation of economy and society” featured case studies (“互聯網助力經濟社會數字化轉型”特色案例) on the 2023 China Internet Conference held by the Internet Society of China.</li> <li>● Our Group has been recognised as one of the top 20 edge computing enterprises in the PRC by the Edge Computing Community.</li> <li>● Our Group were awarded the edge computing enterprise best potential award in 2023 (金邊獎2023年度最具潛力邊緣計算企業) by the Edge Computing Community.</li> <li>● Our Group has been recognised as one of the edge computing platforms (邊緣計算平台) and one of the edge cloud service providers (邊緣雲服務提供者) in the 2023 Edge Computing Industry List (2023邊緣計算產業圖譜) published by the Edge Computing Community.</li> </ul>

## HISTORY AND REORGANISATION

Year	Event
	<ul style="list-style-type: none"><li>Cloud Factory has been recognised as a provincial level Specialised and New Small and Medium Sized Enterprise (專精特新中小企業) of Jiangsu Province in 2023.</li></ul>
2024	<ul style="list-style-type: none"><li>Our Group was awarded the big data innovative application achievement award (大數據創新應用成果獎) by the Wuxi Big Data Association.</li></ul>

For more details, please refer to the paragraph headed “Business — Award and Recognition” in this prospectus.

### CORPORATE DEVELOPMENT

#### Our Company

Our Company was incorporated on 10 December 2021 in the Cayman Islands as an exempted company with limited liability with an initial authorised share capital of US\$50,000.00 divided into 500,000 ordinary shares of US\$0.1 each.

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

## HISTORY AND REORGANISATION

### Our major subsidiaries and Consolidated Affiliated Entities

The following table sets forth certain information of our subsidiaries and Consolidated Affiliated Entities during the Track Record Period:

Name of Company	Date of Incorporation	Equity Interest Held by the Group	Place of Establishment	Principal Businesses
Wuxi Lingjingyun	17 May 2022	98.74%	PRC	Provision of technical support and consultation in relation to the Contractual Arrangements
Wuxi Xiankai	22 May 2020	100%	PRC	Provision of ICT Services and Other Services
Cloud Factory	11 December 2015	100%	PRC	Provision of IDC Solution Services, Edge Computing Services and ICT Services and Other Services <sup>(2)</sup>
Shandong Dianya	20 July 2018	100%	PRC	Provision of IDC Solution Services and ICT Services and Other Services <sup>(2)</sup>
Shanghai Xiaojiang	26 April 2021	100%	PRC	Provision of ICT Services and Other Services
Jiangsu Yiru	29 October 2013	100%	PRC	Provision of IDC Solution Services, Edge Computing Services and ICT Services and Other Services <sup>(2)</sup>
Yun Ruitian	29 January 2016	100%	PRC	Provision of IDC Solution Services

*Note:*

- (1) For an explanation of the group structure with Our Consolidated Affiliated Entities, please refer to the paragraph headed “— Corporate Development — Our subsidiaries and Consolidated Affiliated Entities” of this section.
- (2) The operation of ICT Services and Other Services, which are not subject to foreign investment restrictions under the PRC laws and regulations, has been transferred to Wuxi Lingjingyun or its subsidiaries since the Reorganisation, which took place during the Track Record Period, in order to ensure that the Contractual Arrangements are narrowly tailored. For details, please refer to the paragraph headed “Contractual Arrangements — Background of the Contractual Arrangements” in this prospectus.

## HISTORY AND REORGANISATION

### Our subsidiaries and Consolidated Affiliated Entities

#### *Cloud Factory*

During the Track Record Period, Cloud Factory was one of our main operating companies which principally engaged in the business of provision of (i) IDC Solution Services including the provision of colocation services and infrastructure management services; (ii) Edge Computing Services under the brand of *Lingjing Cloud*; and (iii) ICT Services and Other services.

#### *Establishment of Cloud Factory*

Cloud Factory was established as a limited liability company on 11 December 2015 in the PRC with an initial registered capital of RMB20,000,000. After certain equity transfers all completed prior to the Track Record Period, the shareholding structure of Cloud Factory immediately prior to the commencement of the Reorganisation in December 2021, was as follows:

<u>Shareholders</u>	<u>Shareholding</u>
Jiangsu Hanju	76.1%
Wuxi Bangtai	23.9%

For details on certain entrustment arrangements and the restoration in relation to equity interest in Wuxi Bangtai pursuant to the Reorganisation, please refer to the paragraph headed “— Our Reorganisation — The onshore restructuring — VI. The change in equity interest in Wuxi Bangtai” of this section.

#### *Wuxi Xiankai*

#### *Establishment of Wuxi Xiankai*

Wuxi Xiankai was established on 22 May 2020 as a limited liability company under the laws of the PRC with an initial registered capital of RMB5,000,000. It was initially owned by Ms. Zhou Saiping, mother of Mr. Cai Yuxuan (蔡羽軒) (“**Mr. Cai**”), an ex-employee of our Group, as to 49.0% and Ms. Tan Yamin, spouse of Mr. Cai, as to 51.0%, both of whom held the relevant equity interests on trust for Mr. Sun for convenience purpose to handle administrative matters. As confirmed by our PRC Legal Adviser, such entrustment arrangements relating to Wuxi Xiankai above did not violate any laws or regulations in the PRC. On 27 March 2024, it obtained an approval from The State Taxation Administration of Wuxi High-and-New Technology Industrial Development Zone (Xinwu District, Wuxi) (國家稅務總局無錫高新技術產業開發區(無錫市新吳區)稅務局) confirming the tax deregistration of Wuxi Xiankai.

All the above entrustment arrangements relating to Wuxi Xiankai were unwound during the Reorganisation. For details, please refer to the paragraph headed “— Our Reorganisation — The onshore restructuring — V. Acquisition of the entire equity interest in Wuxi Xiankai by Wuxi Lingjingyun” of this section.

## HISTORY AND REORGANISATION

### *Shandong Dianya*

Shandong Dianya was established as a limited liability company on 20 July 2018 in the PRC with an initial registered capital of RMB10,000,000.

After certain equity transfers all completed in 2021 and immediately prior to the Reorganisation, Shandong Dianya was owned as to 80.0% by Ms. Liu Shumin (劉淑敏), mother of Mr. Sun, and 20.0% by Ms. Shao Lixia (邵麗霞), an ex-employee of our Group. Both Ms. Liu and Ms. Shao held the equity interests in Shandong Dianya on trust for Mr. Sun for convenience purpose as Mr. Sun was not usually physically available in Shandong Province for handling administrative matters.

The shareholders of Shandong Dianya following the equity transfers in October 2021 were as follows:

<u>Shareholders</u>	<u>Shareholding percentage in Shandong Dianya</u>
Ms. Liu Shumin	80.0%
Ms. Shao Lixia	20.0%

All such entrustment arrangements related to Shandong Dianya were unwound during the Reorganisation. For details, please refer to the paragraph headed “— Our Reorganisation — The onshore restructuring — III. Acquisition of the entire equity interest in Shandong Dianya by Cloud Factory” of this section. As confirmed by our PRC Legal Adviser, all such entrustment arrangements related to Shandong Dianya above did not violate any laws or regulations in the PRC.

### *Shanghai Xiaojiang*

#### *Establishment of Shanghai Xiaojiang and equity transfer*

Shanghai Xiaojiang was established on 26 April 2021 as a limited liability company under the laws of the PRC with an initial registered capital of RMB10,000,000. The entire equity interest was initially owned by Ms. Ding Wenxiu, our employee, on trust for Mr. Sun. The reason for such arrangement was for convenience purpose as Mr. Sun was not usually physically available in Shanghai for handling administrative matters.

After certain equity transfers of Shanghai Xiaojiang, immediately before our Reorganisation, Ms. Ding Wenxiu was the sole shareholder of Shanghai Xiaojiang. All entrustment arrangements relating to Shanghai Xiaojiang above were unwound during the Reorganisation. For details, please refer to the paragraph headed “— Our Reorganisation” of this section.

As confirmed by our PRC Legal Adviser, none of such entrustment arrangements relating to Shanghai Xiaojiang above violated any laws or regulations in the PRC.



## HISTORY AND REORGANISATION

### *Jiangsu Yiru*

#### *Establishment of Jiangsu Yiru and equity transfer*

Jiangsu Yiru was established on 29 October 2013 as a limited liability company under the laws of the PRC with an initial registered capital of RMB1,000,000. It was initially owned as to 80.0% by Mr. Sun and 20.0% by Mr. Ji, our executive Directors. The 20% equity interest was owned by Mr. Ji, on behalf of Mr. Sun.

Jiangsu Yiru became a direct wholly-owned subsidiary of Cloud Factory in 2018 following certain share capital transactions.

As at the Latest Practicable Date, all entrustment arrangements related to Jiangsu Yiru above were unwound.

### *Yun Ruitian*

#### *(1) Establishment of Yun Ruitian and equity transfer*

Yun Ruitian was established on 29 January 2016 as a limited liability company under the laws of the PRC with an initial registered capital of RMB5,000,000.

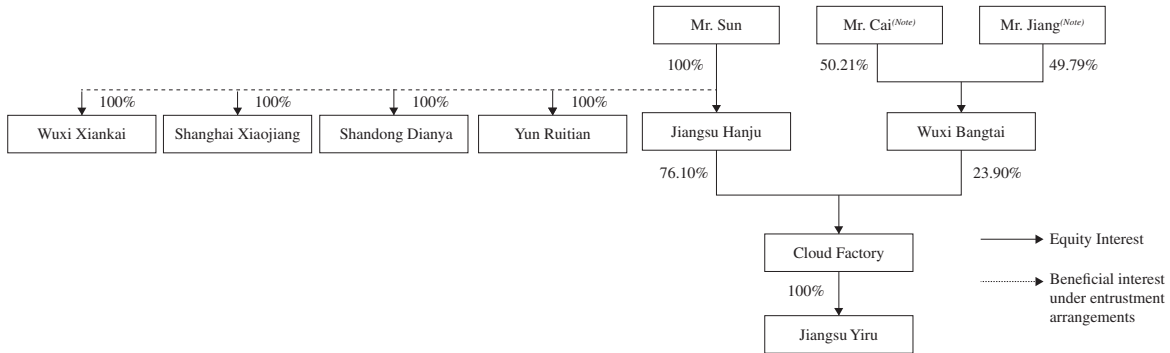
Following certain share capital transactions and immediately prior to the Reorganisation, it was owned as to 90.0% by Ms. Ke Meixian (柯美仙), the ex-mother-in-law of Mr. Sun, and 10.0% by Ms. Shi Xiaorong (史曉蓉), an employee of our Group, both on trust for Mr. Sun for convenience purpose as Mr. Sun was not usually physically available in Shandong Province for handling administrative matters.

All such entrustment arrangements relating to Yun Ruitian above were unwound during the Reorganisation. For details, please refer to the paragraph headed “— Our Reorganisation — The onshore restructuring — II. Acquisition of the entire equity interest in Yun Ruitian by Jiangsu Yiru” of this section. As confirmed by our PRC Legal Adviser, all such entrustment arrangements relating to Yun Ruitian above did not violate any laws or regulations in the PRC.

# HISTORY AND REORGANISATION

## OUR REORGANISATION

In preparation for the Listing, we commenced the Reorganisation with the establishment of our Company on 10 December 2021. Set forth below is our corporate structure immediately prior to the incorporation of our Company and the commencement of the Reorganisation in 2021.



*Note:*

Mr. Cai and Mr. Jiang held 23.90% of Cloud Factory through Wuxi Bangtai, which was owned as to 50.21% by Mr. Cai and 49.79% by Mr. Jiang. Both of them held the equity interest in Wuxi Bangtai on trust for Mr. Sun. For details, please refer to the paragraph headed “— Our Reorganisation — The onshore restructuring — VI. The change in equity interest in Wuxi Bangtai” of this section.

In preparation for the Global Offering, we underwent the following Reorganisation before the Listing.

### The onshore restructuring

#### I. Acquisition of the entire equity interest in Shanghai Xiaojiang

On 14 December 2021, Ms. Ding Wenxiu (holding the equity interest on trust for Mr. Sun) transferred the entire equity interest in Shanghai Xiaojiang, at a consideration of RMB1.0, to Cloud Factory. The transfer unwound the equity interest entrustment arrangements. The registration of the change in equity transfer was completed on 24 December 2021.

Accordingly, Shanghai Xiaojiang became a direct wholly-owned subsidiary of Cloud Factory.

#### II. Acquisition of the entire equity interest in Yun Ruitian by Jiangsu Yiru

On 16 December 2021, Ms. Ke Meixian and Ms. Shi Xiaorong (both holding the equity interest on trust for Mr. Sun) transferred 90.0% and 10.0% of the equity interest in Yun Ruitian, at nil and nil consideration, to Jiangsu Yiru, respectively. The transfer unwound the equity interest entrustment arrangements. The registration of the change in equity transfer was completed on 20 December 2021.

Accordingly, Yun Ruitian became an indirect wholly-owned subsidiary of Cloud Factory.

## HISTORY AND REORGANISATION

### III. *Acquisition of the entire equity interest in Shandong Dianya by Cloud Factory*

On 17 December 2021, Ms. Liu Shumin and Ms. Shao Lixia (both holding the equity interest on trust for Mr. Sun) transferred 80.0% and 20.0% of the equity interest in Shandong Dianya, at nil and nil consideration, to Cloud Factory, respectively. The transfer unwound the equity interest entrustment arrangements. The registration of the change in equity transfer was completed on 29 December 2021.

Accordingly, Shandong Dianya became a direct wholly-owned subsidiary of Cloud Factory.

### IV. *Establishment of Wuxi Lingjingyun*

Wuxi Lingjingyun was established in the PRC on 17 May 2022 as a wholly foreign-owned enterprise with a registered capital of RMB8,000,000, which was subscribed for by Cloud Factory HK. As at the Latest Practicable Date, Cloud Factory HK has yet to make any capital contribution to Wuxi Lingjingyun. According to the articles of association of Wuxi Lingjingyun, the deadline before which the capital contribution has to be made is 20 April 2052 (the “**Contribution Deadline**”). The Directors confirmed that the contribution of RMB8 million will be made from our Company’s own funds, which may include proceeds to be received after its listing or other self-raised funds. Our PRC Legal Adviser is of the view that according to the Company Law of the PRC and other relevant regulations, Cloud Factory HK’s failure to complete the capital contribution before the expiry of the Contribution Deadline (i) is not a non-compliance with the Company Law of the PRC or the articles of association of Wuxi Lingjingyun; and (ii) will not affect certain of its shareholder’s rights which are irrelevant to actual capital contribution, including the right to information, voting, share transfer and supervision, in accordance with the Company Law of the PRC and other applicable laws and regulations, and the provisions of the articles of association.

In relation to the right to dividends and pre-emptive right under the Company Law of the PRC, a shareholder of a limited liability company shall by default (i) be entitled to dividends in accordance with the proportion of its actual capital contribution; and (ii) has the pre-emptive right to subscribe for newly increased registered capital in accordance with the proportion of its actual capital contribution, except that all shareholders of a company may agree that the entitlements to dividends or the exercise of pre-emptive right shall not be in accordance with their respective proportions of actual capital contribution. The distribution of profits among shareholders of Wuxi Lingjingyun is based on their proportionate subscribed capital contributions instead of actual capital contributions, as specified in its articles of association. Therefore, the current failure of actual capital contribution by Cloud Factory HK will not have any impacts on its entitlement to dividends. Regarding Cloud Factory HK’s pre-emptive right, despite the failure of actual capital contribution, it can still exercise its pre-emptive right to subscribe for newly increased registered capital upon obtaining the approval by all shareholders. Alternatively, as advised by our PRC Legal Adviser, given that (i) two-thirds or more of shareholders’ voting rights are required for approving resolutions in relation to the amendment of articles of association; and (ii) as at the Latest Practicable Date, Cloud Factory HK held over two-thirds of voting rights in Wuxi Lingjingyun,

## HISTORY AND REORGANISATION

Cloud Factory HK could effectively control the matters of dividend distribution and pre-emptive rights by exercising its voting rights in shareholders' meetings to amend the articles of association of Wuxi Lingjingyun.

### **V. Acquisition of the entire equity interest in Wuxi Xiankai by Wuxi Lingjingyun**

#### *Step 1: Wuxi Xiankai to become a sino-foreign equity joint venture*

On 9 March 2022, an Independent Third Party foreign investor, A.Y. International Corporate Services Limited (振興國際企業服務有限公司) (“**AY International**”), an investment holding company, invested in Wuxi Xiankai with a capital increase of RMB242,272. After the capital increase was completed, Wuxi Xiankai was converted into a sino-foreign joint venture and was owned as to 48.7%, 46.7% and 4.6% by Ms. Tan Yamin, Ms. Zhou Saiping and AY International, respectively. The above capital increase amount was determined with reference to the appraised value of Wuxi Xiankai.

#### *Step 2: Acquisition of the entire equity interest in Wuxi Xiankai by Wuxi Lingjingyun*

On 1 June 2022, Wuxi Lingjingyun acquired 100.0% equity interest in Wuxi Xiankai from Ms. Tan Yamin, Ms. Zhou Saiping and AY International at a consideration of nil, nil and RMB242,272, respectively. The nil consideration to both Ms. Tan Yamin and Ms. Zhou Sai Ping reflected the unwinding of the equity interest entrustment arrangements. The consideration to AY International was based on the registered share capital of Wuxi Xiankai.

Accordingly, Wuxi Xiankai became a direct wholly-owned subsidiary of Wuxi Lingjingyun. For details of our Group's compliance with the relevant rules and regulations, please refer to the paragraph headed “— Compliance with PRC Laws, Rules and Regulations — The rules on the mergers and acquisitions of domestic enterprises by foreign investors in China (the “**M&A Rules**”)” of this section.

### **VI. The change in equity interest in Wuxi Bangtai**

Before the Reorganisation, Mr. Cai and Mr. Jiang held 50.21% and 49.79% of the equity interest in Wuxi Bangtai, a limited liability partnership established in the PRC, both on trust for Mr. Sun in contemplation of a proposed employee incentive scheme.

As part of the Reorganisation, our Company decided that Wuxi Bangtai would no longer serve as an employee incentive scheme platform. On 30 December 2021, the shareholders of Wuxi Bangtai passed resolutions to approve Jiangsu Hanju, and Mr. Sun to increase the registered capital of Wuxi Bangtai with a capital increase of RMB43,230,000. After the capital increase was completed, the registered capital of Wuxi Bangtai increased from RMB4,780,000 to RMB48,010,000, and Wuxi Bangtai was owned as to 45.92%, 44.12%, 5.00% and 4.96% by Jiangsu Hanju, Mr. Sun, Mr. Cai and Mr. Jiang respectively. The above capital increase amount was determined with reference to the appraised value of Wuxi Bangtai.

## HISTORY AND REORGANISATION

On 11 January 2022, Mr. Cai and Mr. Jiang (both holding the equity interest on trust for Mr. Sun) transferred their respective entire equity interest in Wuxi Bangtai at a consideration of RMB251,050 and RMB248,950, respectively, to Jiangsu Hanju and to Mr. Sun, respectively. The transfer unwound the equity entrustment arrangements. Mr. Cai resigned from our Group in December 2022 and thereafter resumed an executive position of another company. Mr. Fu Chao, another ex-employee of our Group, resigned from our Group for personal reasons.

The shareholders of Wuxi Bangtai following the equity transfer in January 2022 were as follows:

<u>Shareholders</u>	<u>Shareholding percentage in Wuxi Bangtai</u>
Jiangsu Hanju	50.92%
Mr. Sun	49.08%

### ***VII. Acquisition of the entire equity interest in Shanghai Xiaojiang by Wuxi Lingjingyun***

As we position Shanghai Xiaojiang to be an entity which will provide ICT Services and Other Services instead of IDC Solution Services or Edge Computing Services, on 27 February 2023, as an intra-group transfer, Cloud Factory transferred its entire equity interest in Shanghai Xiaojiang, at a consideration of RMB1.0, to Wuxi Lingjingyun. The registration of the change in equity transfer was completed on 10 March 2023.

Accordingly, Shanghai Xiaojiang became a direct wholly-owned subsidiary of Wuxi Lingjingyun.

### ***VIII. Contractual Arrangements***

On 28 March 2023, Wuxi Lingjingyun entered into various agreements which constitute the Contractual Arrangements with Cloud Factory and the relevant Registered Shareholders, under which we are able to exercise effective control over our Consolidated Affiliated Entities and the economic benefits arising from the businesses of our Consolidated Affiliated Entities are transferred to Wuxi Lingjingyun to the extent permitted under the PRC Laws by means of services fees payable by Cloud Factory to Wuxi Lingjingyun. For details, please refer to the section headed “Contractual Arrangements” in this prospectus.

### ***Compliance with PRC laws***

Our PRC Legal Adviser confirmed that: (i) we have obtained or made all necessary regulatory approvals, permits, licenses or filings required under PRC Laws in relation to the Reorganisation in all material respects; and (ii) the Reorganisation has complied with all applicable PRC Laws in all material respects.

## HISTORY AND REORGANISATION

### **The offshore restructuring**

#### **IX. *Incorporation of offshore holding entity***

##### *Ru Yi IT*

Ru Yi IT was incorporated under the laws of the BVI on 5 November 2021 with 100 shares of US\$1.0 each, issued to Mr. Sun and credited as fully paid at a nominal value. Immediately following the completion of the Reorganisation, Ru Yi IT held the entire issued share capital of our Company.

#### **X. *Incorporation of our Company***

Our Company, the listing vehicle of our Group, was incorporated in the Cayman Islands on 10 December 2021 as an exempted company with limited liability, with an initial authorised share capital of US\$50,000 divided into 500,000 shares of US\$0.1 each. On the date of incorporation, one Share was issued to an initial subscriber who is an Independent Third Party, which was then transferred to Ru Yi IT on the same day, and a total of 99 shares were issued at par to Ru Yi IT.

#### **XI. *Incorporation of offshore group companies***

##### *Cloud Factory BVI*

Cloud Factory BVI was incorporated on 10 January 2022 in the BVI, with 100 ordinary shares of US\$1.0 each, allotted and issued to our Company being the sole shareholder of Cloud Factory BVI.

##### *Cloud Factory HK*

Cloud Factory HK was incorporated on 19 January 2022 in Hong Kong, with 10,000 ordinary shares of HK\$1.0 each, issued and allotted to Cloud Factory BVI being the sole shareholder of Cloud Factory HK.

##### *Compliance with the Cayman Islands laws*

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

##### *No further material acquisition or disposals*

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

## HISTORY AND REORGANISATION

### SHARE SUBDIVISION

On 9 March 2023, pursuant to the written resolutions passed by our then Shareholder, each of the issued and unissued shares of a nominal value of US\$0.1 in the share capital of our Company was subdivided into 10,000 Shares of a nominal value of US\$0.00001 each. As a result, the authorised share capital of our Company shall be US\$50,000 divided into 5,000,000,000 Shares of a nominal value of US\$0.00001 each.

Our legal adviser as to the laws of the Cayman Islands confirmed that the share subdivision mentioned above was legally and duly completed. Our Reorganisation was completed on 28 March 2023.

### PRE-IPO INVESTMENT

We received one round of investment from our Pre-IPO Investor in April 2023, details of which are summarised below:

#### Principal Terms of the Pre-IPO Investment

<b>Name</b>	<b>Hainan Yunzhi</b>
Date of the Pre-IPO Investment	3 April 2023
Date of payment of consideration	4 April 2023
Equity interest in Wuxi Lingjingyun acquired	1.39%
Amount of consideration paid	RMB25,000,000
Basis of determination of consideration	On arm's length basis between the parties with reference to including but not limited to (i) prospect of Company's business, and (ii) the comparable companies engaging in similar businesses.
Number of Shares held by the investor immediately following completion of the Global Offering and the Capitalisation Issue	None
Investment cost per Share paid by the investor (assuming the Capitalisation Issue has taken place)	Not applicable
Discount over the Offer Price	Not applicable
Use of proceeds from the Pre-IPO Investment	We utilised the proceeds for the working capital of our Group.



## HISTORY AND REORGANISATION

Name	Hainan Yunzhi
Strategic benefits that the relevant investment would bring to our Group	At the time of the Pre-IPO Investment, our Directors were of the view that our Group could benefit from the additional capital provided by the Pre-IPO Investor. In addition, our Directors believed that we could leverage the commercial network and experience of the relevant investor as well as its extensive resources and connections in the industry we operate. This can potentially bring new business opportunities to our Group and broaden our client base in the future. Moreover, our Directors were also of the view that our Company could benefit from the Pre-IPO Investment as the Pre-IPO Investor's investment demonstrated their confidence in the operations of our Group and served as an endorsement of our Group's performance, strengths and prospects.
Special rights	None
Relationship with our Group	Independent Third Party
Lock-up	None
Public float	Not applicable

Pursuant to the capital increase agreement dated 3 April 2023, Hainan Yunzhi invested RMB25 million in Wuxi Lingjingyun, among which RMB112,867 was injected as the registered capital of Wuxi Lingjingyun while the remaining amount was recorded as Wuxi Lingjingyun's capital reserve. Our PRC Legal Adviser is of the view that, such arrangement was made in accordance with the legal requirements of the PRC.

Taking into account (i) the historical financial results of our Group during the Track Record Period; (ii) the prospects of the business of our Group, including the expecting growth in the market of the relevant industry; and (iii) the reference as to other listed peers particularly the companies adopting non-self-built data centre model with business operation in the PRC, the Sole Sponsor is of the view that the consideration paid by the Pre-IPO Investor for the Pre-IPO Investment was fair and reasonable.

### Information about Our Pre-IPO Investor

The background information of our Pre-IPO Investor is set out below.

**Hainan Yunzhi** is a limited liability partnership established under the laws of the PRC on 9 February 2023 with Chengdu Gongtong Huifu Private Equity Fund Management Co., Ltd (成都工投匯富私募基金管理有限公司) acting as its executive partner and general partner (holding approximately 0.35% equity interest in Hainan Yunzhi). As at the Latest Practicable Date, Hainan Yunzhi's general partner was ultimately controlled and owned by Ms. Yang An (楊安) as to 55.0% and Chengdu Advanced Manufacturing Industry Investment Co., Ltd. (成都先進製造產業投資有限公司) (“**ADMIC**”) as to 45.0%. ADMIC is wholly owned by Chengdu Industry Investment Group Co., Ltd (成都產業投資集團有限公司), which is in turn owned by State-owned Assets

## HISTORY AND REORGANISATION

Supervision and Administration Commission of Chengdu Municipal Government (成都市國有資產監督管理委員會) as to 90.0% and Sichuan Provincial Finance Department (四川省財政廳) as to 10.0%. Apart from Chengdu Gongtou Huifu Private Equity Fund Management Co., Ltd being its general partner, Hainan Yunzhi also has two limited partners, namely Shanghai Yuming Network Technology Co., Ltd. (上海裕明網絡科技有限公司) (being the largest limited partner holding approximately 64.06% equity interest in Hainan Yunzhi) and Hainan Yunpan Information Technology Co., Ltd (海南雲磐信息科技有限公司) (holding approximately 35.59% equity interest in Hainan Yunzhi), and both limited partners are Independent Third Parties. Immediately after the Pre-IPO Investment, Hainan Yunzhi would hold 1.39% of the total equity interest in Wuxi Lingjingyun. Hainan Yunzhi is primarily engaging in venture capital investment in and management of unlisted enterprises.

In recognition of our Group's development in the IDC Solution Services and Edge Computing Services and the value created along the PRC's Internet data centre value chain Hainan Yunzhi was optimistic about our Group's future and decided to invest in our Group. Since Hainan Yunzhi is ultimately controlled by State-owned Assets Supervision and Administration Commission of Chengdu Municipal Government, whose overseas investment in a Cayman company may be subject to restrictions in the PRC and whose objective was to explore more business opportunities with our Group more than mere capital gain, investment at the subsidiary level would be a better alternative to the investment in our Company.

### **Compliance with Chapter 4.2 of the Guide**

On the basis that (i) the consideration for the Pre-IPO Investment was settled more than 28 clear days before the date of our first submission of the listing application in relation to the Listing to the Stock Exchange; and (ii) there was no special rights granted to the Pre-IPO Investor, the Sole Sponsor has confirmed that the Pre-IPO Investment is in compliance with Chapter 4.2 of the Guide.

### **PUBLIC FLOAT**

Upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), Ru Yi IT (an investment holding company wholly-owned by Mr. Sun, being one of the founders of our Group, an executive Director and the chairman of the Board) will hold 75% of our enlarged issued share capital, and such Shares will not be counted towards the public float of our Company for the purpose of Rule 8.08 of the Listing Rules.

Save as disclosed above, no other Shareholder (i) is a core connected person of our Company (as defined under the Listing Rules); (ii) has been financed directly or indirectly by a core connected person of our Company for the subscription of Shares; or (iii) is accustomed to take instructions from a core connected person of our Company in relation to the acquisition, disposal, voting or other dispositions of the Shares registered in his/her/its name or otherwise held by him/her/it, and all the Shares held by such Shareholders will be counted towards the public float of our Company for the purpose of Rule 8.08 of the Listing Rules upon Listing. Accordingly, it is

## HISTORY AND REORGANISATION

expected that no less than 25% of the Shares will be held by the public upon Listing, and our Company will be able to fulfill the minimum public float requirement under Rule 8.08 of the Listing Rules.

### CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholder passed on 14 May 2024, subject to and conditional upon the share premium account of our Company being credited as a result of the issue of Offer Shares pursuant to the Global Offering, our Directors were authorised to allot and issue a total of 374,000,000 Shares (including 30,000,000 Sale Shares) credited as fully paid at par to the holder(s) of Shares whose name(s) was entered on the principal register of members of the Company maintained in the Cayman Islands at the close of business on the even date (or as they may direct) in proportion (as nearly as possible without involving fractions) to its then existing respective shareholdings in the Company by way of capitalisation of the sum of approximately US\$3,740 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares.

### COMPLIANCE WITH PRC LAWS, RULES AND REGULATIONS

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

#### **The rules on the mergers and acquisitions of domestic enterprises by foreign investors in China (the “M&A Rules”)**

According to the M&A Rules jointly issued by the MOFCOM, SASAC, the STA, the CSRC, the SAIC and the SAFE in 2006 and amended in 2009, a foreign investor is required to obtain necessary approvals when it:

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

## HISTORY AND REORGANISATION

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

On 10 March 2022, AY International subscribed for 4.62% equity interest in Wuxi Xiankai (the “**First Subscription**”). After the First Subscription, Wuxi Xiankai became a sino-foreign joint venture enterprise. When the transfer of 4.6% equity interest held by AY International to Wuxi Lingjingyun (the “**Second Transfer**”) occurred on 1 June 2022, therefore Wuxi Xiankai had already been converted into a sino-foreign joint venture enterprise. The Second Transfer is the equity transfer in a foreign-invested enterprise. As advised by our PRC Legal Adviser, given that Wuxi Xiankai was a sino-foreign joint venture enterprise prior to the Second Transfer, hence M&A Rules are not applicable to the Second Transfer and approval by MOFCOM or CSRC is not required.

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

Our PRC Legal Adviser confirmed that all the remaining share transfers and increases in registered share capital in respect of the PRC companies in our Group as described above in this section had obtained all necessary government approvals and permits and the government procedures involved were in accordance with the PRC laws and regulations. Our PRC Legal Adviser also confirmed that we had obtained all necessary approvals from the relevant PRC regulatory authorities required for the implementation of the Reorganisation and the Reorganisation had, in all material aspects, complied with the applicable PRC laws, regulations and rules.

### **SAFE registration in China**

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

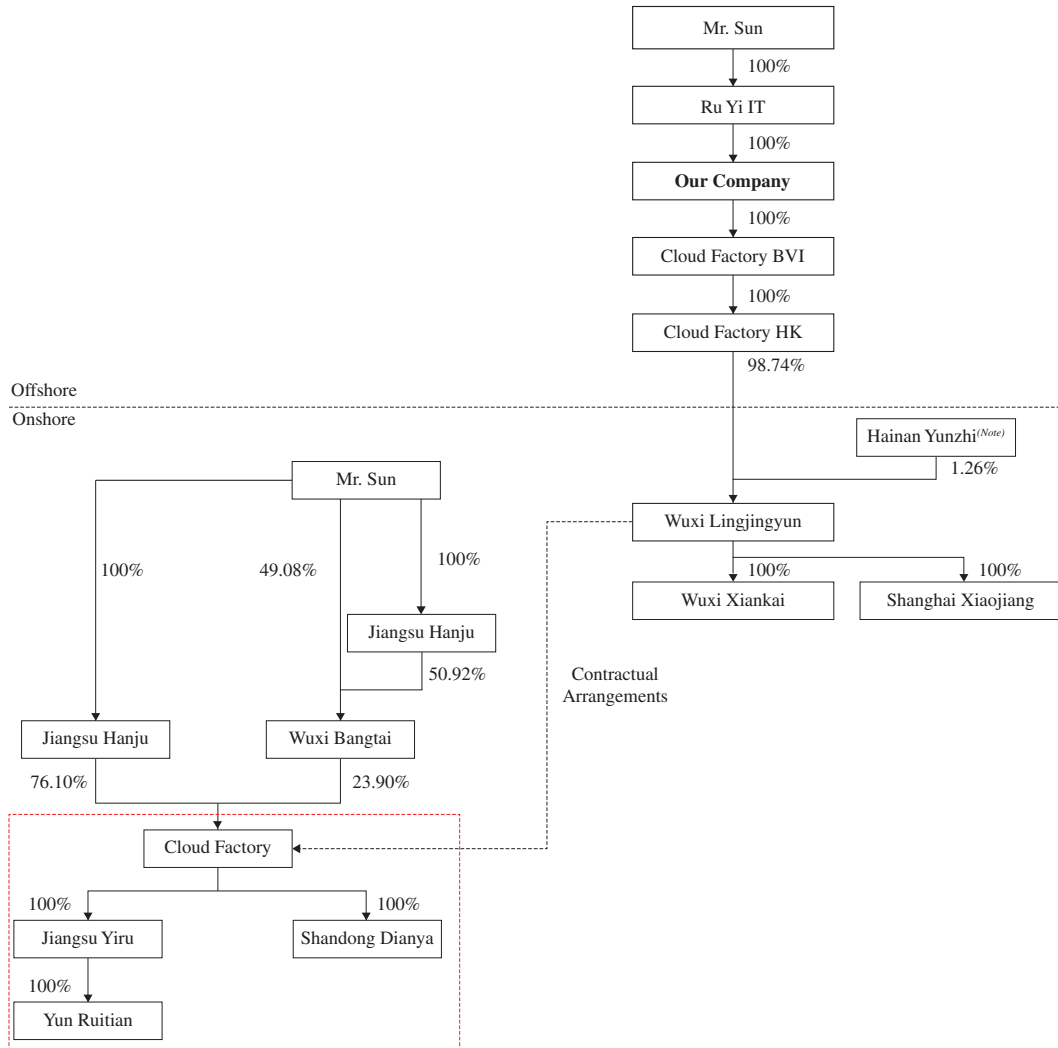
As confirmed by our PRC Legal Adviser, Mr. Sun, being a PRC resident, is required to obtain the relevant registration with SAFE pursuant to the SAFE Circular 37. On 10 March 2022, Mr. Sun completed his SAFE Circular 37 registration.

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

# HISTORY AND REORGANISATION

## Our Group structure immediately prior to the Capitalisation Issue and the Global Offering

The following chart illustrates our corporate and shareholding structure immediately prior to the Capitalisation Issue and the Global Offering:



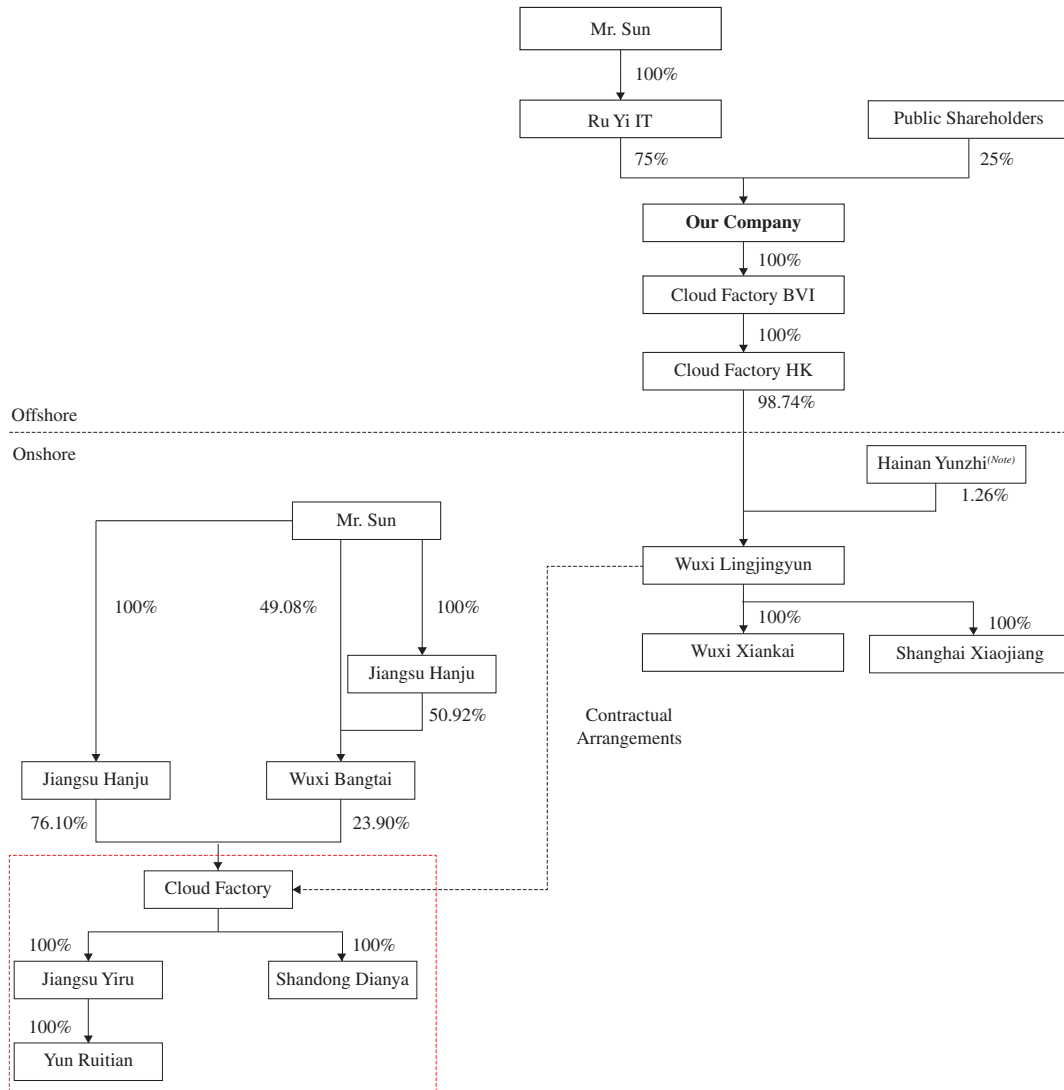
*Note:*

Hainan Yunzhi is an Independent Third Party Pre-IPO Investor.

# HISTORY AND REORGANISATION

## Group structure immediately after completion of Capitalisation Issue and the Global Offering

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



*Note:*

Hainan Yunzhi is an Independent Third Party Pre-IPO Investor.

## **OVERVIEW**

We ranked the 11<sup>th</sup> in the Internet data centre industry among carrier-neutral service providers in terms of revenue in 2022 with a market share of 0.6%. Carrier-neutral service providers operate data center which is independent of network providers to offer access to multiple network service carriers which allow their clients to enjoy the flexibility and redundancy of having access to more than one carrier. We provide IDC Solution Services to our clients, who are primarily top-notch Internet companies and cloud computing service providers in the PRC, by adopting a non-self-built data centre model. In particular, we do not own, build or develop our own Internet data centres. Instead, in the provision of our IDC Solution Services, we managed data centre space and cabinets procured by us from our suppliers, including the three state-owned telecommunication carriers and other parties. Such business model is generally considered to be more client-driven with (i) lower capital requirements as we do not need to build and develop our own data centres; (ii) better risk management as we do not own the data centre property; and (iii) more flexibility and scalability as our services are not confined by locations of self-built data centres. Our IDC Solution Services include the provision of colocation services and infrastructure management services. We established an extensive presence in the PRC, providing IDC Solution Services in 38 cities across 19 major provinces for the years ended 31 December 2021, 2022 and 2023, with total bandwidth usage of approximately 316,508 Gbps recorded during the Track Record Period.

As a form of infrastructure and computing service distinguishable from our IDC Solution Services in that they enable our clients and their customers to build, secure and deliver digital experiences at the edge of the Internet, based upon our self-built edge computing infrastructure, our Edge Computing Services, or edge cloud, under the brand of *Lingjing Cloud* (靈境雲) was launched in 2022 and started to realise revenue in the same year. Edge Computing Services represents the convergence of the content delivery network (CDN) with functionality which has been traditionally delivered by hardware-centric appliances such as DDoS solutions. It aims to move computing power and logic as close to the end-user as possible.

In addition, we provide ICT Services and Other Services on a project basis per our clients' occasional enquiries and requests.

Modern and future society is driven by data collection, analysis, and storage, which groom and underpin cloud computing, mobile, interconnection, Internet of Things, 5G, Artificial Intelligence, virtual reality, augmented reality, and big data analysis. As the PRC has the world's largest 5G network, its increasing number of 5G base stations and the high data transferring capacity will drive the growth of mobile data traffic at a CAGR of 28.7% from 2023 to 2027. Demand for our IDC Solution Services is fuelled by the expeditious growth in the size of data created, transmitted, analysed, and stored in the midst of digital transformation. In March 2020, the PRC government announced the acceleration of the construction of 5G network infrastructure as part of the "new infrastructure". It is expected that the total market size of public cloud services in the PRC will increase with a high-speed growth at a CAGR of approximately 32.6% from 2023 to 2027.



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In the provision of our IDC Solution Services, we proactively engage our potential clients by analysing their situation, requirements and expansion needs, we provide constructive analysis and advice in relation to the implementation of their data centre operations. We provide the custodian service of our clients' servers, power supplies and network connection, and the overall infrastructure management services including but not limited to system security, disaster management, load balancing and technical consultation. We also provide our clients with Edge Computing Services, including but not limited to content delivery acceleration services.

Our Group has closely cooperated with Supplier A, one of the largest state-owned telecommunication carriers in the PRC. Partnering with Supplier A, we launched our IDC Solution Services in the northern and western parts of the PRC. Starting in Shandong Province, we participated in formulating the management and maintenance standards of Supplier A's certain branch data centres. Since then, we developed our presence of data centre operation through the cooperation with Supplier A across major parts of the PRC including but not limited to Shandong Province, Jiangsu Province, Guangdong Province, Zhejiang Province, Guangxi Province, Hebei Province, Shanxi Province, Sichuan Province, Guizhou Province, Qinghai Province, Xinjiang Uygur Autonomous Region, the Inner Mongolia and the direct-administered municipalities of Shanghai and Chongqing. Our Directors consider that as at the Latest Practicable Date, out of approximately 20–30 customers and business partners of Supplier A in the area of IDC solution services, we have become one of the most important ecosystem partners of Supplier A in terms of transaction amount in the area of data centre operation in Shandong Province and Inner Mongolia. For details, please refer to the paragraph headed “— Our Strengths — Established and mutually complementary relationships with upstream telecommunication carriers and cross-regional IDC resource suppliers in the area of data centre operation” of this section.

We have a fast-growing and diversified client base which primarily includes top-notch cloud computing service providers, Internet companies and blue-chip listed companies in the PRC. Our clients choose us as a longstanding partner because we provide them with flexible and constructive solutions, scalable capacity, resilient business model, on-time delivery of services, cost-effective services, reliable connectivity and responsive feedbacks. Our managed data centres are not only extensively distributed in the PRC, but also strategically located in all tiers of economic regions. We are able to guarantee the above-the-market-average power and connectivity uptime. During the Track Record Period, we did not experience any material disruption which affected our clients' operations. We conduct regular monitoring and testing to prevent the occurrence of outage and have devised solutions in advance of any incidents. We have self-developed platforms which provide effective flow management. As a result, the data centres under our management can improve utilisation and efficient delivery of Internet services.

Our managed IDC network is extensive across the major regions of China. Our presence on a national level enables us to provide effective and flexible solutions to our major clients in the PRC. Our cross-regional presence of our IDC Solution Services extended across 19 provinces and 38 cities which were relatively more economically developed during the Track Record Period. In addition, we recorded an aggregate of approximately 316,508 Gbps bandwidth usage during the Track Record Period, across three direct-administered municipalities of Beijing, Shanghai and

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Chongqing and various major cities in Jiangsu Province, Guangdong Province, Guangxi Province, Sichuan Province, Guizhou Province, Qinghai Province, and Xinjiang Uygur Autonomous Region, Shandong Province, Hebei Province, Shanxi Province, Zhejiang Province, Anhui Province, Hunan Province, Jiangxi Province, Fujian Province, Hubei Province, Gansu Province, Shaanxi Province and the Inner Mongolia.

A table of revenue generated from our IDC Solution Services by the regions of China during the Track Record Period is set forth below:

Regions of the PRC	For the year ended 31 December					
	2021		2022		2023	
	Revenue (in RMB million)	%	Revenue (in RMB million)	%	Revenue (in RMB million)	%
Eastern part, including Shandong Province, Jiangsu Province and the direct-administered municipality of Shanghai	320.07	73.2%	383.13	71.1%	402.71	59.8%
Central part, including Hunan Province	0.04	0.0%	0.01	0.0%	25.61	3.8%
South-western and north-western parts, including Sichuan Province, Qinghai Province, the Xinjiang Uygur Autonomous Region and the direct-administered municipality of Chongqing	25.23	5.8%	14.07	2.6%	49.32	7.3%
Northern part, including Beijing, Shanxi Province, and the Inner Mongolia	68.61	15.7%	141.45	26.3%	147.32	21.9%
Southern part, including Foshan, Guangzhou, Shenzhen and Nanning	23.28	5.3%	—	—	48.79	7.2%
Total revenue from IDC Solution Services	<u>437.23</u>	<u>100.0%</u>	<u>538.66</u>	<u>100.0%</u>	<u>673.75</u>	<u>100.0%</u>

We have implemented a non-self-built and client-driven business model to respond quickly and flexibly to market changes. Since the commencement of our business, we have not built our own data centres but had a solid relationship with upstream telecommunication carriers. Our business operation begins upon the receipt of our clients' enquiries as to our IDC solution capacity in certain areas designated by our clients. We process the clients' requirements and communicate with our data centre resource suppliers in terms of their capacity and the corresponding cost. In order to maximise the efficiency of bandwidth allocation, we may, reschedule unutilised and excessive bandwidth capacity from other data centre resource suppliers with or without giving prior notification to such other suppliers. For example, for a sizeable and busy supplier, such as the branch office of Supplier A in the provincial capital, our Group normally did not have to give prior notification beforehand to reschedule excessive and idle bandwidth capacity procured from them to our Group's other clients for the sake of streamlining the cooperation procedures. Meanwhile, some suppliers of a relatively smaller scale may prefer a practice of us giving them a prior notification before rescheduling excessive bandwidth capacity as the supplier may have to carry out cabinet installation and additional connection work for clients novel to them. The practice varies case by case, depending on the customary cooperation practice between our Group and a particular supplier or branch of supplier. After we are assured the relevant data centre resources can be duly secured and our services can be duly delivered, we will then enter into agreements with our clients. For details, please refer to the paragraph headed "— Our Business Models" of this section. We believe that our non-self-built and client-driven business model enables us to replicate our success in our IDC Solution Services operation to different regions in the PRC. It will also enable us to capture future opportunities in the industry and expand our operations with major cloud computing service providers and Internet companies. As the market evolves with our clients' demand, we began to develop and provide a form of infrastructure and computing service distinguishable from our IDC

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Solution Services, namely, *Lingjing Cloud*, our Edge Computing Services, a line of business expected to become our main growth engine in the future. For details, please refer to the paragraph headed “— Our Services — Edge Computing Services” of this section.

We also began to introduce our Edge Computing Services under the brand of *Lingjing Cloud* to our clients since 2022. Our Edge Computing Services represent the convergence of CDN with functionality which has been traditionally delivered by hardware-centric appliances, including but not limited to CDN services, and other services which have been or will be put on market such as edge cloud, edge security, edge storage, audio-visual and image services and cloud communication. There has been an increasing trend in which our clients request and procure our Edge Computing Services. For details of our Edge Computing Services, please refer to the paragraph headed “— Our Services — Edge Computing Services” of this section.

On top of our IDC Solution Services and Edge Computing Services, we provide ICT Services and Other Services which include a holistic information communication technology solution to our clients, on a project basis, integrating clients’ system, software development and maintenance and consultation services. For details, please refer to the paragraph headed “— Our Services — ICT Services and Other Services” of this section.

We had experienced significant growth during the Track Record Period. Our revenue grew from RMB464.3 million for the year ended 31 December 2021 to RMB548.8 million for the year ended 31 December 2022, representing an increase of 18.2%. Our revenue grew from RMB548.8 million for the year ended 31 December 2022 to RMB695.9 million for the year ended 31 December 2023, representing an increase of 26.8%.

### OUR STRENGTHS

#### **Our established foundation in the fast-growing IDC solution service market with strong brand recognition in the PRC, capturing the enormous unreached potential of the fast-developing Web 3.0 market**

We ranked the 11<sup>th</sup> in the Internet data centre industry among carrier-neutral service providers in terms of revenue in 2022 with a market share of 0.6%. We provide effective IDC Solution Services to our clients, who are primarily top-notch Internet companies and cloud computing service providers in the PRC.

The IDC solution service market in the PRC has entered a transformation stage, where various technologies such as cloud computing, mobile interconnection, Internet of Things, blockchain, 5G, augmented reality, virtual reality, e-payment, digital currency, Artificial Intelligence, and big data analysis are being integrated. It is envisioned that substantial growth for public cloud services will continue in the PRC in the decades to come. The PRC’s market experienced accelerated growth

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attributable to the rapid development of innovative technologies in cloud services. It is expected that China will exceed the U.S. and become the largest market for internet data centres globally in the next five years. The size of public cloud services in the PRC is expected to increase at a CAGR of 32.6% from 2023 to 2027.

Following the explosive popularity and development of short-video content and live-streaming e-commerce since 2019, the demand for our IDC Solution Services has surged exponentially. With a strong network with state-owned telecommunication carriers and our bandwidth scheduling and reallocation capacity, we are able to coordinate data centre resources including bandwidth and cabinets from various branch offices of our suppliers, and consolidate an optimal IDC solution for our clients. With our bandwidth scheduling and reallocation capacity, we can maximise our utilisation rate of packet ports, usually exceeding 100% of the bandwidth capacity. The higher the excessive amount of bandwidth usage is utilised from our repeated use of the packet ports sourced from suppliers, the more our Group's average bandwidth cost can be driven down. It follows that we can provide our IDC Solution Services at a competitive price to our clients. As a result, our revenue grew from RMB464.3 million for the year ended 31 December 2021 to RMB695.9 million for the year ended 31 December 2023 at a CAGR of 22.4%. Our Directors believe that our all-encompassing network is the reason as well as the consequence of our clients being cohesive with us. We are ready and well-positioned to ride the mounting market uptrend and benefit from a series of government policies in the PRC. For details, please refer to the paragraph headed "Industry Overview — Overview of Internet Data Centre Business Market and IDC Solution Services Market in the PRC — Market drivers, opportunities and trends" in this prospectus.

We have built up a strong brand with high-quality services. We were awarded and recognised as "Top Ten National New Benchmark Enterprises in China's Cloud Service Industry" (中國雲服務行業最具影響力十大民族新標杆品企業) and "National Science and Technology Innovation Demonstration Unit" (全國科技創新示範單位) by China Brand Quality Certification Supervision and Management Centre (中國品牌質量認證監督管理中心) and China Enterprises Credit Assessment Management Committee (中國企業信用評價管理委員會) in 2021. We were awarded "AAA Level Credible Managing Demonstration Unit" (AAA級誠信經營示範單位) by China Comprehensive Credit Assessment Centre (全國綜合信用評估中心) in 2021. In 2022, our *Lingjing Cloud* was selected for China Communications Standards Association's "2022 Edge Computing Industry Spectrum" (2022邊緣計算產業圖譜) and included in the "Application Case collection of Industry Metaverse Innovation"(產業元宇宙創新應用案例集) in the World Artificial Intelligence Conference 2022 (2022世界人工智能大會). In 2023, we were awarded 2022 Internet Award: Internet Transformation Services Award (2022互聯網風雲榜—互聯網轉型服務獎) by Wuxi Internet Association.

### **Stable relationships with our large and market-leading clients**

We have a fast-growing and diversified client base which primarily includes top-notch cloud computing service providers, Internet companies and blue-chip listed companies in the PRC. During the Track Record Period, our total revenue in the IDC Solution Services segment surged from RMB437.2 million for the year ended 31 December 2021 to RMB673.8 million for the year ended

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31 December 2023 at a CAGR of 24.1%. We attribute our success partly to our capability to provide cross-regional IDC Solution Services in 19 provinces and 38 cities which are relatively more economically developed for the three years ended 31 December 2023. For details of our geographical presence in the PRC, please refer to the paragraph headed “— Our Geographical Presence” of this section. During the Track Record Period, our Group’s bandwidth usage amounted to an aggregate of approximately 316,508 Gbps from our managed data centres. We believe that the main reason for our Group being the preference of our clients, which are large Internet service providers on the national level, is our cross-regional network coverage, supported by state-owned telecommunication carriers, aligning with their strategic and expansive appetite geographically.

Our IDC Solution Services are capable of meeting the expansive capacity requirements to our services from our clients, which are mainly leading Internet companies and cloud computing service providers in the PRC. There are usually demand from leading Internet companies and cloud computing service providers in the PRC for data centre resources with extensive geographical coverage across regions or even provinces. It is time-consuming and not cost effective to carry out multiple negotiations with each of the different branch offices of the state-owned telecommunication carriers to come up with agreed commercial terms and prices as different branch offices may have different aspects of consideration and focus on carrying out their business operation. This increases the transaction cost and implementation cost. For data centre resources where bespoke solution services are required, Internet companies and cloud computing service providers tend not to enter into transaction directly with state-owned telecommunication carriers, but engage with IDC solution service providers who can provide more flexible solutions. Client B, being a member of a leading company with a strong Internet foundation, based in the PRC, is one of our largest clients and contributed to RMB133.4 million for the year ended 31 December 2021 (as our largest client of our Group therein), RMB112.6 million for the year ended 31 December 2022 (as our largest client therein) and RMB108.4 million for the year ended 31 December 2023 (as our second largest client therein), of our revenue. During the Track Record Period, we also became an important IDC Solution Services provider to Client A, Client F, Client H, Client I, Client J, Client K and Client L. For further details of our clients, please refer to the paragraph headed “— Our Clients” of this section.

As our relationship with our top-notch clients has been solidified, we witnessed a noticeable growth in revenue generated from our existing clients. Our revenue contributed by our five largest clients increased in aggregate from RMB347.1 million for the year ended 31 December 2021 to RMB425.4 million for the year ended 31 December 2022 at a rate of 22.6% and further increased to RMB468.6 million for the year ended 31 December 2023 at a rate of 10.2%. Client I, a subsidiary of a multinational technology corporation based in the PRC, has become our client since 2020, and Client J, a controlled structure entity of one of the leading providers of Internet services and mobile value-added services in the PRC listed on the Stock Exchange, has become our client for IDC Solution Services since 2021. Revenues generated from Client I and Client J for the year ended 31

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December 2023 amounted to RMB48.1 million and RMB145.7 million, respectively. Our experience in serving market leaders provides us with industry know-how, operational experience, and reputation which we can leverage in further exploring development opportunities with them.

### **Established and mutually complementary relationships with upstream telecommunication carriers and cross-regional IDC resource suppliers in the area of data centre operation**

We have a long-standing relationship with Supplier A, one of the state-owned telecommunication carriers in the PRC. Our Directors consider that, out of approximately 20–30 customers and business partners of Supplier A in the area of IDC solution services, we have become one of the most important ecosystem partners of Supplier A in terms of transaction amount in the area of data centre operation in Shandong Province and Inner Mongolia. The Group has an established customer base and good reputation in the provision of IDC Solution Services in Shandong Province and Inner Mongolia, and serves as Supplier A’s ecosystem partner in distribution of bandwidth capacity to the Internet companies. It is estimated that the Group accounts for 10% to 12% of service fees paid by the ecosystem partners to Supplier A in Shandong Province and Inner Mongolia. As a result, we are of the view that our Group’s operation and Supplier A’s are essential and complementary to each other in the area of data centre operation.

Since 2016, the Internet data centre business market has entered into a transformation stage where the market demand was more advanced, integrated and energy-saving services. Supplier A, one of the state-owned telecommunication carriers, was in need of flexible and extensive IDC solution service providers as their ecosystem partners to more efficiently distribute their idle bandwidth capacity to the Internet companies. Our Directors noticed such opportunity and provided services as a bridge between the telecommunication carriers and the Internet companies. At that time, one of our clients, being a National High and New Tech Enterprise recognised by the Shenzhen Municipal Government intended to purchase data centre resources from Supplier A in Qingdao. It was then the first time the Qingdao branch office of Supplier A (the “**Qingdao Branch Office**”) to provide IDC services. As the Qingdao Branch Office lacked relevant experience in the management and maintenance of data centres, the client therefore introduced our Group to the Qingdao Branch Office to provide assistance. Our cooperation with Supplier A began in Qingdao, where we sourced data centre resources from them, mainly including server rack space, power supply and bandwidth capacity, and took charge of the maintenance of the data centres of the Qingdao Branch Office. Our starting point in Qingdao laid the foundation of our lasting relationship with Supplier A. Our Directors consider that we have become one of the most important ecosystem partners of Supplier A in terms of transaction amount in the area of data centre operation in Shandong Province and Inner Mongolia. For details, please refer to the paragraph headed “— Our Suppliers — Relationship with our largest supplier — Supplier A” of this section.



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Our established relationship with Supplier A is robust in the comparison with other IDC solution service providers who have non-self-built data centres. On the one hand, we adopt an agile business model allowing us to be more responsive and flexible than the state-owned telecommunication carriers, but on the other hand, we are being supported by the vast and sheer scale of the data centre resources owned by state-owned telecommunication carriers which are in turn demanded by market-leading Internet companies and cloud computing service provider clients. Thus, our unique position enables us to capture the potential growth in the IDC solution services market in the PRC and increase our nationwide market share. The Internet penetration rate in the PRC expanded from 59.6% in 2018 to 75.6% in 2022, at a CAGR of 6.1% and is expected to reach 90.0% in 2027, at an estimated CAGR of 3.4%. We had benefited from cooperating with Supplier A in exploiting the Internet data centre business market potential. Since our cooperation with Supplier A, our IDC Solution Services witnessed noticeable growth in terms of revenue, which increased by 54.1% from RMB437.2 million for the year ended 31 December 2021 to RMB673.8 million for the year ended 31 December 2023. Among the state-owned telecommunication carriers, Supplier A commended an absolute lead in the infrastructure development of 5G network, accounting for more than 50.0% of total base stations, which also exceeded the combined total of 5G base stations built by other two state-owned telecommunication carriers. With our solid relationship with Supplier A, our Directors are of the view that we are able to satisfy our clients' demand in any scale, thereby allowing us to provide solutions to our clients and reinforce our relationship with them. The emergence of AI content generation technology and the concept of Metaverse may result in exponential growth of demand for IDC solution and edge computing solution for their high-definition video delivery and algorithmic analysis. In addition, state-owned telecommunication carriers in general are free from power restriction orders as compared with other privately owned data centre operators. Thus, we are able to provide more reliable IDC Solution Services as the risk of power outages with us is minimal.

We believe our Group's premium client base is complementary to fulfilling Supplier A's marketing and sales needs. Being top-notch cloud computing companies and Internet companies in the PRC, our major clients tend to be qualified by Supplier A's standard, including whether the requisite licences of the relevant operations have been obtained and whether the server or other equipment quality fulfils the required technology standard in order not to compromise the safety of the Internet, and able to purchase our services in bulk and timely on payment. We benefit from Supplier A's standard requirements imposed on our potential clients as our operations can thus be legal and safe. In addition, their fast-growing needs for our IDC solution services mean we have to, in turn expand our demand for and procurement from Supplier A's data centres. Enhanced stickiness between Supplier A and us ensued. For details of our relationship with Supplier A, please refer to the paragraph headed "— Our Suppliers — Relationship with our largest supplier — Supplier A" of this section.



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During the Track Record Period and as at the Latest Practicable Date, to the best of our Directors' knowledge and belief, we have not encountered any material difficulties in sourcing data centre resources from Supplier A.

### **Highly efficient, flexible, and scalable business model with proven track records**

We distinguish ourselves from other carrier-operated service providers and carrier-neutral service providers with self-built data centres by adopting a lean, non-self-built and client-driven business model, allowing our operation to be efficient and highly scalable. The reasons for us not to have self-built data centres include:

- strategically bypassing direct competition with state-owned telecommunication carriers and instead becoming an important partner with them;
- enabling us to develop a cross-regional platform, appealing to and serving top-notch Internet company clients and cloud computing service providers and not confining our presence to a particular area;
- flexibly developing new forms of services such as our Edge Computing Services and content delivery network products backed by extensive network infrastructure to provide step-up security and traffic experience for our clients' customers; and
- lower the risk of the development and operation of the data centre being affected by adverse industry policies.

As a result, we can focus our resources on tailor-making solutions for clients, developing and operating extended forms of IDC solution, and providing prompt responses to meet clients' advanced and evolving needs. By providing a one-stop IDC solution, beginning from the basic needs for server rack space and bandwidth to our traffic stability, speed and security solutions which set us apart from traditional data centre operators, we believe we are one of the IDC solution service providers frequently engaged by top-notch Internet companies and cloud computing service providers.

Featured with high scalability, our operation can flexibly expand into an unentered market while retreating our presence from another area. During the Track Record Period, we have been exploring the business potential in the south-western and north-western parts of China, including Sichuan Province, Guizhou Province, Qinghai Province, Xinjiang Uygur Autonomous Region and the direct-administered municipality of Chongqing. Riding on such thriving market, our total revenue grew from RMB464.3 million for the year ended 31 December 2021 to RMB548.8 million for the year ended 31 December 2022, representing an increase of 18.2% and from RMB548.8 million for the year ended 31 December 2022 to RMB695.9 million for the year ended 31 December 2023, representing an increase of 26.8%.

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In addition to the extensiveness, we will also leverage our existing relationship with our client base to explore service offerings, we started to realise RMB5.2 million in our Edge Computing Services for the year ended 31 December 2022 with the gross profit margin of 18.4%. Subsequently, we recorded a revenue of RMB18.1 million with the gross profit margin of 20.4% for the year ended 31 December 2023.

### **One of the active contributors in the development of the cross-regional edge computing network in prefecture-level cities and administrative districts and counties in the PRC**

We are one of the active contributors in building the cross-regional edge computing network in prefecture-level cities and administrative cities and counties in the PRC as evidenced by our expanding edge nodes network, active collaborations with universities and other market players, and the awards and recognitions in relation to edge computing received by us from authoritative organisations nationwide. Our such edge computing network minimises the need to process data remotely in data centre and thus increases the responsiveness and throughput of applications, saves bandwidth and improves customer's user experience. For example, our edge computing network allows users to request content at the edge of the Internet instead of the source of the content, in Qingdao and other prefecture-level cities and administrative cities and counties of Shandong Province, Hohhot of Inner Mongolia, Taiyuan of Shanxi Province and Wuxi of Jiangsu Province. Under the *Lingjing Cloud* infrastructure, which connects multiple networks to provide connectivity, Internet end-users or clients can enjoy quicker, more secured, flexible and scalable data transmission. As at the Latest Practicable Date, our Group preliminarily established the coverage of cross-regional edge computing network for the operation of our *Lingjing Cloud* in Northern China. We have established bandwidth connectivity and components of *Lingjing Cloud* such as servers, switches, our edge node platforms, cache modules and edge-node deployment modules. The deployment of edge node allows users to request content at the edge of the Internet instead of the source of the content, in Qingdao and other prefecture-level cities and administrative cities and counties of Shandong Province, Hohhot of Inner Mongolia, Taiyuan of Shanxi Province and Wuxi of Jiangsu Province.

Recognising the national needs of artificial intelligence development and leveraging the mid-to-long term technological development strategy in the PRC, we have entered into the Cooperation Agreement on the Construction of Artificial Intelligence and Edge Computing Joint Laboratory (人工智能與邊緣計算聯合實驗室建設合作協議書) with the College of Software of Xi'an Jiaotong University (西安交通大學軟件學院) in April 2023 to promote the collaboration between artificial intelligence and edge computing. Subsequent to the entering of the agreement, the joint laboratory has been established in July 2023 with a view to, among others, (i) incubate new and innovative technologies; (ii) realise the commercial value of quality technological human resources from the academic side; and (iii) cultivate junior talents in the edge computing sector of the PRC. As at the Latest Practicable Date, one postgraduate student from the Xi'an Jiaotong University has been working in the branch office of Cloud Factory while a number of other students have been working on edge computing projects remotely from the university.

In addition, we have been recognised as one of the top 20 edge computing enterprises in the PRC by the Edge Computing Community in May 2023 and April 2024, alongside all top five Edge Computing Services Providers in the PRC in terms of revenue in 2022 and 2023, respectively, the details of which are stated in the paragraph headed “Industry Overview — Competitive landscape of edge computing market in the PRC”. The listed enterprises were selected based on an integrated assessment after a series of procedures including nomination, online voting, expert voting and interviews. Despite its recent establishment in 2018 as edge computing is a relatively new technology, the Edge Computing Community has developed rapidly and organised a number of landmark events, namely the Global Edge Computing Conferences (全球邊緣計算大會), in which many authoritative representatives from the government, industry and academic sides of the edge computing sector participated. In July 2023, we were awarded the edge computing enterprise best potential award in 2023 (金邊獎2023年度最具潛力邊緣計算企業) by the Edge Computing Community. Subsequently, in October 2023, we have been recognised as one of the edge computing platforms (邊緣計算平台) and one of the edge cloud service providers (邊緣雲服務提供者) in the 2023 Edge Computing Industry List (2023邊緣計算產業圖譜) (the “2023 List”) published by the Edge Computing Community in the eighth Global Edge Computing Conference held in Shanghai. The 2023 List sets out reputable and quality enterprises classified by their key technologies and products/services to provide business opportunities throughout the entire value chain and promote the intra-industry collaboration. All listed enterprises must be established solution providers with mature business model and unique strength in talents and expertise as well as other business resources for innovation and growth. Furthermore, our EdgeCDN Services under the brand of *Lingjing Cloud* has been recognised as one of the “Internet facilitates the digital transformation of economy and society” featured case studies (“互聯網助力經濟社會數字化轉型”特色案例) on the 2023 China Internet Conference held by the Internet Society of China. In February 2024, we were awarded the big data innovative application achievement award (大數據創新應用成果獎) by the Wuxi Big Data Association in recognising our overall development in EdgeAIoT Services, which is a service to enhance Internet of Things, i.e. network of interrelated objects/devices, with AI technology and our edge computing technology to establish a “Cloud-Edge-Device” structure for providing a more efficient solution and better customer experience to our clients as distinguished from the traditional Internet of Things.

The revenue generated by *Lingjing Cloud* amounted to RMB5.2 million for the year ended 31 December 2022 and RMB18.1 million for the year ended 31 December 2023. We can leverage (i) our premium client base for the market of our *Lingjing Cloud* services; (ii) our long history with state-owned telecommunication carriers for a reliable supply of data centre resources; and (iii) our cooperation with reputable research and technology institutes for our technological development to allow us to seize the first-mover advantage to accumulate exuberant experience in gaining market insights and developing diverse products of *Lingjing Cloud* catered to various needs of our clients over the cross-regional edge computing network.

### **Visionary and experienced management team**

Our management team benefits from our steady and experienced leadership with strong operational and administrative capabilities and excellent execution competency. Our founder, executive Director and chairman, Mr. Sun Tao, leveraging his over 16 years of experiences gained

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in data centre operation in the PRC, has led our Directors and senior management and spearheaded the expansion of our IDC Solution Services operation regionally and nationally. One of the major proven successes of Mr. Sun's foresight duly executed was to cooperate with Supplier A and unleash the relatively unexplored potential in the Internet data centre business market in prefecture or lower level cities. Mr. Sun captured the opportunity and assisted Supplier A in becoming the frontrunner in such market by providing distribution services to and assisting in the operation of Supplier A's data centres. For details of our cooperation with Supplier A, please refer to the paragraphs headed "— Our Strengths — Established and mutually complementary relationships with upstream telecommunication carriers and cross-regional IDC resource suppliers in the area of data centre operation" and "— Our Suppliers — Relationship with our largest supplier — Supplier A" of this section.

In addition, Mr. Sun strategically and deliberately positioned our Group as an IDC solution service provider without self-built data centres, adopting a lean, non-self-built and client-driven business model. Thus, we could focus on ably executing his plan to provide quality services and innovating solutions and rendering prompt responses to our clients' fast-evolving needs. For detailed elaboration of the reasons for not developing our own data centres, please refer to the paragraph headed "— Our Strengths — Highly efficient, flexible, and scalable business model with proven track records" of this section.

Mr. Sun believed that expanding our service offerings to Edge Computing Services would upgrade our service offerings and improve our operating leverage and profitability. The market size of edge computing market in the PRC is expected to grow from RMB99.4 billion in 2024 to RMB310.2 billion in 2028 at a CAGR of approximately 32.9%. We believe that our Edge Computing Services benefiting from our extensive IDC network will play a more important role driven by (i) favourable PRC policy initiatives, such as the Notice on the Strategy and Implementation Plan of "Broadband China" (《“寬帶中國”戰略及實施方案》) issued by the State Council in 2013, which aims at maximising Internet coverage in the PRC; (ii) growing Internet user base with the popularity and development of e-commerce, short-video content and livestreaming; and (iii) increasing application of Artificial Intelligence in CDN services, as well as the development of 5G network. For details of our Edge Computing Services, please refer to the paragraph headed "— Our Services — Edge Computing Services" of this section.

Mr. Jiang Yanqiu, our general manager and executive Director, is primarily responsible for overseeing the operation of the Group's business and relationship with clients. He has over 10 years of sale experience in Internet business. Mr. Ji Lijun, our deputy general manager and executive Director, is responsible for overseeing the operation of the Group's business and relationship with our suppliers. He has over 15 years of sale and operation experience in the technology business. Mr. Zhu Wentao, the deputy general manager of our Group and head of *Lingjing Cloud* department, is responsible for the construction, operation and supervision of *Lingjing Cloud*, our cloud computing service platform. He has over 10 years of experience in development and maintenance of edge computing platform. For details, please refer to the section headed "Directors and Senior Management" in this prospectus.

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Most of our Group's core management members have stayed with our Group since they joined. We consider the stability of the management is a key to our Group's success, rapid and stable growth.

### OUR STRATEGIES

#### **Expand our market share by deepening our relationship with our existing clients, increase our service offerings and enlarge our client base**

We intend to continue to solidify, bolster the relationship and deepen our partnerships with our existing clients. We will continue to satisfy our leading cloud computing company and Internet company clients' growing needs and scale our operation correspondingly in order to further increase our market share. We will keep capitalising on our established relationship and exploring new business needs of our existing clients.

During the Track Record Period, Client F, a subsidiary of a multinational Internet technology company, based in the PRC, has become our clients since 2019; Client H and Client I, a cloud computing company and a subsidiary of a multinational technology corporation respectively, both based in the PRC, have become our clients since 2020; Client J, a controlled structured entity of one of the leading providers of Internet service and mobile value-added services in the PRC, has been our client since 2021. Since our Group's inception, our client base has covered the majority of the top-notch cloud computing service providers and Internet companies in the PRC. We believe our new clients will continue to be a key driving force for the growth of our revenue. We will continue to explore new opportunities with our clients and strengthen our versatility by increasing our variety of solutions and service offerings. For details of the background of our major clients, please refer to the paragraph headed "— Our Clients" of this section.

We intend to increase our service offerings by installing and upgrading our routers, ethernet switches and building up multiple redundant routers, switches and automatic failover and recovery system and in various locations where our IDC Solution Services and Edge Computing Services are provided in order to enhance our operational efficiency and maintain network traffic stability. We intend to purchase and install bare-metal servers ("BMS") to provide stronger isolation from cloud servers of other consumers or tenants in order to overcome the challenges traditional cloud servers encounter, provide efficiency level by subjecting the servers less to defects, achieve higher security and privacy by separating BMS from other servers and attain higher flexibility by allowing our clients and their customers to use our services in the amount at the time needed by them. Not only can BMS be used to upgrade our IDC Solution Services quality, but it can also be applied in our Edge Computing Services under the brand of *Lingjing Cloud*. We also intend to upgrade our office in Wuxi and Hangzhou including purchasing additional office equipment and software in order to support our overall expansion in operation. For details of our future plans, please refer to the paragraph headed "Future Plans and Use of Proceeds — Use of Proceeds — Existing business improvement and operation development" in this prospectus.

For our IDC Solution Services operation, we primarily attract new clients by relying on our own sales and marketing efforts and word-of-mouth recommendation of our existing clients. We have also enlarged our client base by participating in procurement or other exchange forums and

tender bidding. In addition, leveraging our cost advantages in procuring IDC resources including bandwidth and cabinets in bulk, and our bandwidth scheduling and allocation capabilities to enhance our operational efficiency, we are able to offer our clients with competitive prices. For our Edge Computing Services operation, our primary strategy is to cross-sell our Edge Computing Services to our existing clients of our IDC Solution Services. On the other hand, we intend to build up the brand awareness of *Lingjing Cloud* through participation in forums and seminars, distributing press releases and issuing advertisements. For our ICT Service and Other Service operation, we mainly cross the services to our existing clients and suppliers and collaborate with them in certain smart system development projects. We intend to continue to follow our above established and effective sales and marketing strategies to enlarge our client base.

**Pursue regional opportunities horizontally and deepen service offerings vertically**

Our Group has constructed a nationwide network of our IDC Solution Services for our premium client base during the Track Record Period. Following the continuous economic development in prefecture-level cities or administrative districts and counties in China, the network infrastructure and development will trickle down to more rural areas, where Internet penetration rate is still low.

We will expand/sink our Edge Computing Services into new and rural territories with emerging needs for our services (the “**Lower-tier Region Network Strategy**”). The network penetration rate of rural areas in 2021 was only 57.6%, compared with 81.3% in urban areas. We intend to strategically deploy BMS and our edge computing components in cities where our clients’ users concentrate or our clients’ potential customers lie. As part of the Lower-tier Region Network Strategy, we will geographically distribute the network of proxy servers and the data. We plan to increase our edge-based deployment in prefecture-level cities and administrative districts and counties where cloud service coverage is relatively limited. We will continue constructing our cross-regional edge computing network for our *Lingjing Cloud* with the support of state-owned telecommunication carriers. With an increasingly widely distributed network, we will be poised to capture significant growth potential in public cloud service and edge computing service market. Our EdgeCDN Services, being part of our Edge Computing Services, will enable our clients’ customers to have access to a copy of content closest to them so that content loading time is minimised. We seek to acquire or develop our proprietary EdgeCDN platform to enhance network efficiency by managing and optimising the workload of the servers through real-time optimisation and distribution.

Edge Computing Services market represents the convergence of the CDN with functionality that has been traditionally delivered by hardware-centric appliances, aiming to move compute power and logic as close to the end-user as possible. The edge computing service market is expected to grow from 2024 at a CAGR of 32.9% from RMB99.4 billion to RMB310.2 billion in 2028. The edge cloud uses the emerging cloud computing, in which cloud service providers run the server and dynamically manage the allocation of machine resources. When milliseconds matter, processing at the edge is an ideal way to handle highly dynamic and time-sensitive data. During the Track Record Period, we launched the Edge Computing Services under the brand of *Lingjing Cloud*, allowing our clients to solve their complex business problems at the network edge, dynamic site acceleration, speeding up requests and responses between cache nodes in our clients’ origin



servers and provision of edge security absorbing DDoS attacks without impacting performance. We intend to invest in a large-scale and enterprise-grade edge cloud platform which is developer-friendly and fully programmable. For details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

As at the Latest Practicable Date, our Group preliminarily established the coverage of cross-regional edge computing network for the operation of our *Lingjing Cloud* in Northern China. In addition, our Group has begun cooperation with a government-funded scientific research institute to jointly conduct Metaverse research and development and set up joint innovation laboratory. Our Group and the relevant parties will, based on their respective resources, jointly conduct research and development for key technological breakthrough including but not limited to Metaverse, cloud computing and edge computing, promote the establishment of relevant industry standards and set up relevant working groups and platforms for such cooperation. The cooperation will utilise our IDC Solution Services and Edge Computing Services capacities in the contribution of Metaverse construction in the PRC.

*Lingjing Cloud* is an extension of our IDC Solution Services. Thus, we expect clients of our IDC Solution Services will be more easily attracted to our Edge Computing Services under *Lingjing Cloud* conducive and useful in their business. One of our important strategies is to cross-sell our Edge Computing Services to our existing clients of IDC Solution Services. On the other hand, we intend to build up the brand awareness of *Lingjing Cloud* through participation in forums and seminars, distributing press releases and issuing advertisements.

**Heighten resources dedication to our research and development team to further enhance our Internet data centre platform’s operational efficiency**

We endeavour to preserve and leverage our pioneering position in the development of the cross-regional edge computing network infrastructure for our *Lingjing Cloud*. During the Track Record Period, we dedicated RMB17.0 million, RMB23.6 million and RMB22.2 million as our research and development expenses for the years ended 31 December 2021, 2022 and 2023, respectively, as part of the investment for the building of our *Lingjing Cloud* platform.

We will continue to enlarge our research and development team and reinforce our research capabilities in order to solidify our leading position in the market and preserve our clients’ stickiness to us. In particular, the development of our *Lingjing Cloud* platform will require us to invest in our technology platform. Examples include the recruitments of skillful personnel who can master the functions of software such as Nginx, C++ and Python. We will continue to attract, retain, and internally develop highly skilled talents to enhance our service quality and optimise our operational efficiency in order to support our business expansion and deliver sustainable improvement in profitability of our business. For details, please refer to the paragraph headed “Future Plans and Use of Proceeds — Use of Proceeds — Recruitment of talents for IDC Solution Services and Edge Computing Services operations” in this prospectus.

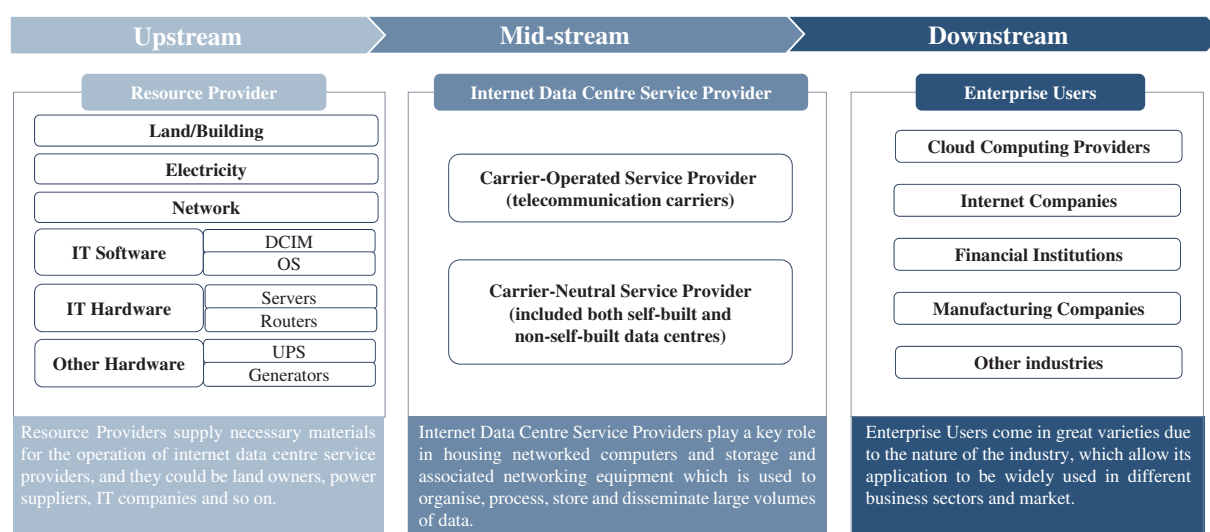


## OUR ROLE IN THE INTERNET DATA CENTRE INDUSTRY VALUE CHAIN

### Our Position

Internet data centres can be categorised by types of carrier access, namely carrier-operated or carrier-neutral data centres. Carrier-operated data centres offer access only to one carrier and are dominated by the three state-owned telecommunication carriers in the PRC. Carrier-neutral data centres include data centres built and developed by service providers (“**self-built**”) and data centres where the space and cabinets are owned by the three state-owned telecommunication carriers or other third parties but managed by the service providers (“**non-self-built**”).

The following diagram sets out the value chain of Internet data centre industry in the PRC:



*Source: Frost & Sullivan*

Carrier-neutral data centre service providers, or IDC solution service providers, procure fibre resources from telecommunication carriers to meet their bandwidth needs. Carrier-neutral data centres service providers may also acquire their network access from multiple telecommunication carriers to make their networks more efficient. It is a common market practice for state-owned telecommunication carriers to procure services from IDC solution service providers which have relevant and reliable expertise. For details, please refer to the paragraph headed “Industry Overview — Overview of Internet Data Centre Business Market and IDC Solution Services Market in the PRC” in this prospectus.

### The Pain Points faced by State-owned Telecommunication Carriers and Internet Companies/ Cloud Computing Service Providers

The value of our Group along the value chain of the PRC Internet data centre industry is contributed by our capabilities in identifying our suppliers’ and clients’ pain points and solving their problems by reducing their transaction cost and enhancing their operational efficiency.

**(1) *Lack of commercialisation of the B-to-B Business in the data centre operation of state-owned telecommunication carriers***

State-owned telecommunication carriers generate fundamental revenue from the provision of wireless data traffic services (the “**Mobile Telecom Services**”), broadband services (the “**Household Broadband Services**”), short message service, multimedia messaging service, application and information services and other services to mass consumer (collectively, the “**B-to-C Business**”). For certain local and smaller branch offices of the state-owned telecommunication carriers whose businesses are not as diversified as those in the economically developed areas, their business focus is limited to the operation of the B-to-C Business, for which their telecommunication infrastructure is primarily designated. The excessive bandwidth capacity of the data centres, which entails substantial commercial value in generating revenue from business transactions with content creators such as Internet companies and cloud computing companies (the “**B-to-B Operations**”), have been usually left unmanaged and idle. It is because significant cost will be incurred by the state-owned telecommunication carriers to commercialise their B-to-B Operations with their data centres which were primarily constructed for their B-to-C Business. For example, it is not commercially efficient for the state-owned telecommunication carriers to devote substantial resources to handle trivial and cumbersome yet essential procedures such as server racking, emergency response, maintenance and complaint handling. On the other hand, IDC solution service providers are at a cost advantage to handle such matters. Also, IDC solution service providers are more in touch with the B-to-B Operations’ market and are able to give a timely responsive solution to the clients. In this regard, the assistance of the IDC solution service providers is essential for the state-owned telecommunication carriers in fully realising the commercial value of the data centres and expand their business outreach to B-to-B Operations.

**(2) *High transaction cost of direct dealing between state-owned telecommunication carriers***

State-owned telecommunication carriers have set up different, separate, and independent branch offices in various cities and regions. For any major Internet company or cloud computing service provider which would like to extend its presence in a larger region across provinces and cities, the multiple negotiations of price, quantity, and other material terms will have to be carried out with different branch offices. This will greatly increase the transaction cost of the Internet companies or cloud computing service providers and make their operation inefficient. IDC solution service providers emerge to coordinate resources with various branch offices of different state-owned telecommunication carriers and are usually able to offer an optimal solution in terms of price, quantity and other material terms to their clients, reducing their transaction cost.

**(3) *Less competitive prices offered by state-owned telecommunication carriers***

With the abundant supply of data centre resources, it would be less costly for the state-owned telecommunication carriers to require their customers to purchase in bulk. It is true that sometimes the market-leading Internet companies/cloud computing service providers, which procure bandwidth capacity and cabinets in bulk, may directly deal with the state-owned telecommunication carriers. As state-owned telecommunication carriers are less prepared to accept purchase orders in relative small sum, they usually prefer to charge their customers by a Packet Port Charging Model (as

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defined in the paragraph headed “Business — Our IDC Solution Services and Edge Computing Services Operation Processes — Billing and Payment Stage” in this prospectus), where customers are generally charged based on the number of packet ports used regardless of their actual bandwidth usage at the fixed price per packet port. Customers may find it costly and inefficient to operate on packet ports as they may not always have demand huge enough to fully utilise each of the packet ports. IDC solution service providers with bandwidth scheduling and allocation capability, can arrange bandwidth traffic among different time intervals and different geographical horizons and thereby able to maximise the bandwidth utilisation rate and reduce average bandwidth cost. As a result, IDC solution service providers with bandwidth scheduling capacity can minimise bandwidth waste and provide more competitive pricing to their clients. Some of our clients may have their own data centres and may have significant demand for data centre resources, which may make it cost-efficient for these clients to directly deal with the state-owned telecommunication carriers and purchase in bulk. Whilst the bandwidth waste from idling packet ports may be considered negligible as compared with their overall bandwidth cost, they may not always have equally substantial demand for bandwidth usage in every city of their operation. Thus, the Packet Port Charging Model may not always be cost-efficient for them. In Shandong Province and Inner Mongolia where we have good relationship with state-owned telecommunication carriers, we are able to provide competitive pricing and tailor-made services to our clients in those regions as compared with our suppliers. To the client’s end, our clients usually prefer 95<sup>th</sup> Percentile Bandwidth Charging Model in order to retain flexibility as it is on a pay-as-you-use basis. The 95<sup>th</sup> Percentile Bandwidth Charging Model is not generally preferred by our suppliers. Thus, our skills and technology assist in ironing out the differences between our supplier and our clients.

### **Evaluation and Analysis of the Group’s Disintermediation Risk**

Our Directors believe, and the Sole Sponsor concurs that, the risk of disintermediation whereby state-owned telecommunication suppliers will directly transact with our Internet company and cloud computing service provider clients, is unlikely to cause any material adverse impact on our Group’s operation. It is relatively uncommon and economically inefficient for Internet companies and cloud computing service providers to transact directly with each of the branch offices of the state-owned telecommunication suppliers, based on the pain point analysis above.

Indeed, state-owned telecommunication suppliers may directly deal with our clients who are Internet companies and cloud computing services providers. For example, during the Track Record Period, there was an occasion where it came to our knowledge that Client B directly sourced bandwidth service and cabinet resources from the Wuxi branch of Supplier A and subsequently turned to us for cabinet resources. Such occasion was primarily because Wuxi branch of Supplier A could not deliver the required cabinet resources to Client B on time due to Client B’s sudden demand for a significant amount of cabinet resources and this arrangement was transitional and one-off in nature. For details, please refer to the paragraph headed “— Our Geographical Presence” of this section. Our Directors are of the view that under the circumstances where Client B requires (i) bandwidth services and cabinet resources to accommodate their servers in multiple areas of the PRC for the delivery of the content provided by them in such areas; (ii) our comprehensive IDC Solution Services including colocation services and infrastructure management services; and (iii)

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the option for a more flexible charging model, such as 95<sup>th</sup> Percentile Bandwidth Charging Model, to avoid the risk of paying for idling bandwidth if the traffic is low, Client B may tend to acquire data centre resources from the state-owned telecommunication carriers through us. On the other hand, under the circumstances where Client B requires (i) more control over its network infrastructure; (ii) special customisation on the network connectivity; and (iii) bandwidth services and cabinets in limited areas of the PRC, Client B may tend to negotiate with the state-owned telecommunication carriers to acquire data centre resources from them by directly. For demonstration of Client B's procurement of our bandwidth services and cabinet resources in different locations of the PRC, please refer to the paragraph headed “— Our Services — IDC Solution Services — Infrastructure management services — Case study” of this section.

Despite the abovementioned transaction involving Client B, namely the One-off Arrangement (as defined below), our Directors are of the view that the risk of disintermediation is unlikely to cause any material adverse impact on our Group's operation on the following grounds:

- The implication of the One-off Arrangement does not defeat our Group's value in resolving the pain points faced by our suppliers and clients, instead, it reinforced and strengthened the incentive of our clients to procure data centre resources through us rather than engaging the state-owned telecommunication carriers directly in the sense that our suppliers are not as efficient as us to provide timely solutions in response to emergent needs of clients since we are able to coordinate data centre resources from various sources.
- As mentioned above, significant cost will be incurred by state-owned telecommunication carriers to commercialise their B-to-B Operations. As such, they might not be able to provide certain client services, including server racking, emergency response, maintenance and complaint handling. Nevertheless, our business development and future growth do not hinge on the assumption that state-owned telecommunication carriers will not commercialise their B-to-B Operations as we are capable to provide one-stop IDC solution services, ranging from colocation services which include server custody, and connectivity and power supply and customised bandwidth services to infrastructure management services. For details, please refer to the paragraph headed “— Our Services — IDC Solution Services” of this section. Technical support is one of the major factors that clients consider for the procurement of data centre resources. Our in-house maintenance and network engineers provide technical support to our clients, both remotely and on-site. Looking forward, we strive to enhance our technical support to clients by recruiting various talents and professionals to expand our maintenance team to maintain our competitive edge. For details, please refer to the paragraph headed “Future Plans and Use of Proceeds — Implementation Plans — Recruitment of talents for IDC Solution Services and Edge Computing Services operations” in this prospectus.

We believe that our competitive strengths in terms of geographic distribution, responsiveness to client's demand, price-competitiveness and relationship with state-owned telecommunication carriers provide us with significant opportunities, with which we strive to become one of the best IDC solution service providers in creating value for the Internet data centre industry. With our long-standing relationships with the state-owned telecommunication carriers and our market-leading clients, who play a pivotal role in the PRC's Internet data centre industry, we believe we can lower the cost and enhance transaction efficiency and thereby promote the development in the entire Internet data centre industry value chain.

### **Our History**

In 2016, Supplier A, one of the state-owned telecommunication carriers, was in need of flexible and extensive IDC solution service providers as ecosystem partners to more efficiently distribute their idle bandwidth capacity to the Internet companies. For the reasons above and the pain points they faced, Supplier A could not effectively commercialise its B-to-B Operations in its data centre segment. Our Group noticed such opportunity and sourced data centre resources from Supplier A, mainly server rack space, power supply and bandwidth capacity, assisting Supplier A in completing relevant regulatory filing procedures and taking charge of the maintenance of the data centre of relevant branch offices of Supplier A. Since then, our Group continued to cooperate with Supplier A and our IDC solution service evolved from the provision of cabinets, IP addresses and bandwidth capacity, into the comprehensive IDC Solution Services including the provision of the colocation services and a full set of infrastructure management services. For details, please refer to the paragraph headed “— Our Suppliers — Relationship with our largest supplier — Supplier A” of this section.

### **Our Approaches**

We distinguish ourselves by offering flexible, client's demand-driven, price-competitive and state-owned telecommunication carrier-friendly IDC solution service delivered to our clients.

- *Geographically flexible:* Leveraging our suppliers' extensive presence of data centres, our coverage of IDC solution service extends to the whole part of the PRC.
- *Client's demand-driven:* Our infrastructure management services are tailor-made and responsive to our clients. We provide a swift response to our clients' complaints and any emergency and maintenance situations on any operation-related issues.
- *Price-competitive:* Since we procure data centre resources including bandwidth capacity and cabinets in bulk, and we can enhance our efficiency in sizeable bandwidth-scheduling operations, we can offer more competitive prices to our clients than our suppliers.

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- *State-owned telecommunication carrier friendly:* Optic fibres and bandwidth are state-owned in the PRC. For any traffic issue resulting from the backbone of the Internet, we can directly deal with the relevant branch offices of our suppliers on any infrastructure-related issues.

### **Our Offerings**

Our IDC Solution Services include colocation services and infrastructure management services. Our IDC Solution Services allow our suppliers and clients to reduce transaction cost directly and enhance operational efficiency in the entire value chain. For details, please refer to the paragraph headed “— Our Services — IDC Solution Services” of this section.

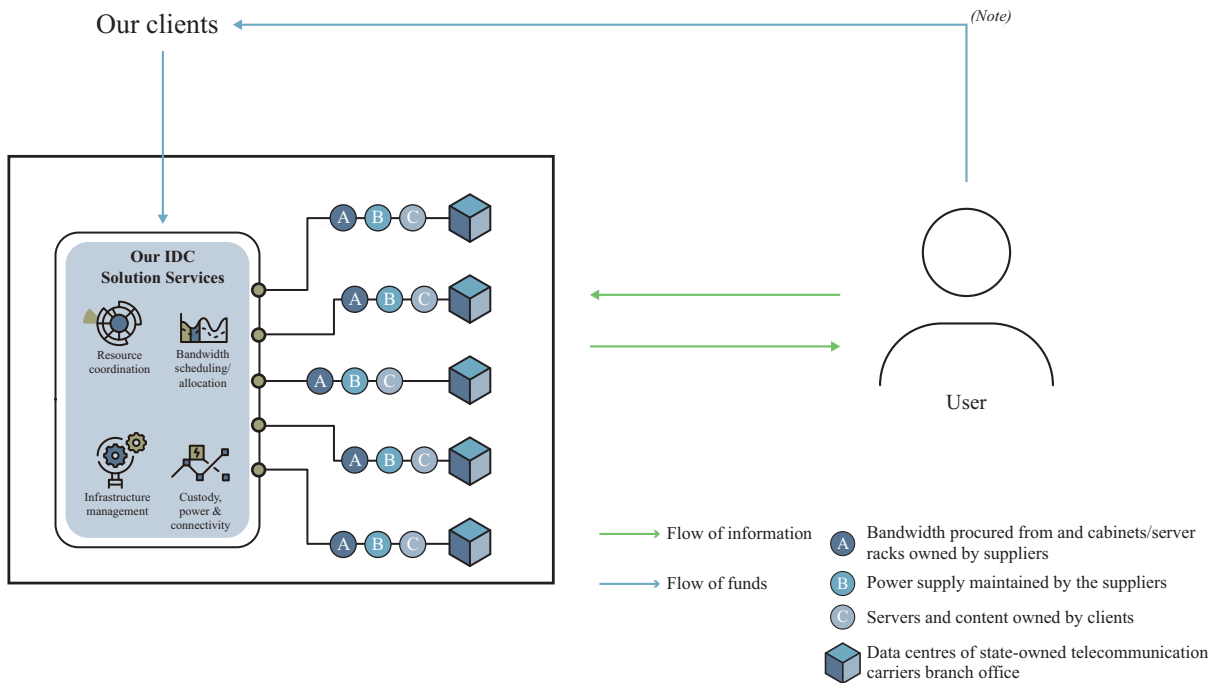
- *Colocation services:* We provide custody service for our clients’ servers and connectivity and power supply services at a price more competitive than they would otherwise directly deal with our suppliers.
- *Infrastructure management services:* We provide server racking, data centre management services, server monitoring service, server load balancing service, emergency reporting, network management and server middleware services, server security service, data backup, business continuity and disaster recovery services, system security services, technical consultation, general reporting, upgrade support and complaint handling as otherwise our suppliers would not have the expertise to provide. Such services are essential to the operation and commercialisation of our suppliers’ B-to-B Operations in the data centre business.

### **OUR BUSINESS MODELS**

Our IDC Solution Services and Edge Computing Services are important parts of the cloud supply chain. Our operation commences upon clients’ enquires and request for our IDC Solution Services/Edge Computing Services. We then conduct pre-contractual feasibility analysis through internal discussion and liaison with our suppliers before providing IDC solution advice and delivering our IDC Solution Services and Edge Computing Services to our clients. We source data centre resources, mainly bandwidth from state-owned telecommunication carriers or other small-and-medium data centre owners and operators. Our suppliers generally charge us by the Packet Port Charging Model (as defined in the paragraph headed “Business — Our IDC Solution Services and Edge Computing Services Operation Processes — Billing and Payment Stage” in this prospectus) based on the number of packet ports used and the fixed price per packet port. This lump-sum and all-or-nothing basis of charging requires our Group to allocate and schedule the traffic flow in order to avoid idling capacity. The allocated, scheduled and managed bandwidth is then served to our clients. In this regard, we can provide flexible, tailor-made, geographically extensive, localised, enhanced and competitive services to our clients without owning data centre establishments.

**Business model of our IDC Solution Services**

Our IDC Solution Services include colocation services in terms of server cabinet, Internet connectivity, bandwidth usage and infrastructure management services. The following diagram illustrates the provision of our IDC Solution Services and the value created by us for our clients:



*Note:* The existence of fund flow between users and our clients depends on, among others, the nature of the user and the businesses of our clients. If it is a corporate user who engages our clients for the provision of specialised Internet services or cloud computing services, most likely the corporate user will pay our clients directly. On the other hand, if it is a general Internet user who casually consumes data on the Internet platform operated by our clients or uses general Internet services provided by our clients, there may not be fund flow between them. Nevertheless, our clients may charge such Internet user by providing value-added services from time to time or be benefited indirectly from advertising income.

By coordinating data centre resources among different branch offices of our suppliers, we schedule and allocate bandwidth traffic and provide infrastructure management service which would be otherwise inefficient for our suppliers to provide. We can thereby reduce transaction cost of both our clients and suppliers and enhance the operational efficiency of the entire value chain of the PRC’s Internet data centre industry. For details, please refer to the paragraph headed “— Our Role in the Internet Data Centre Industry Value Chain — The pain points faced by state-owned telecommunication carriers and Internet companies/cloud computing service providers” of this section.



### **The Efficacy of the Business Model of Our IDC Solution Services**

Our non-self-built and client-driven business model has put us at an unique and advantageous position over our competitors for the following reasons:

**Operational and financial agility:** The characteristics of our IDC Solution Services differentiate us from our competitors that adopt the self-built data centre model, which own and operate data centres. Data centre owners and operators are generally subject to relatively more significant financial volatility due to the initial capital commitment required to build and develop data centres. In contrast, we adopt a non-self-built data centre model and have relatively more flexible cash flows and lower level of initial capital requirement.

**Cross-regional network:** Our services are not confined to a particular area or province because our reach is cross-regional. First-class cloud computing service providers and Internet companies in the PRC prefer suppliers with cross-regional network who can satisfy their evolving expansion strategies. For details, please refer to the paragraph headed “— Our Strengths — Highly efficient, flexible, and scalable business model with proven track records” of this section. Our extensive network also enables us to implement the Lower-tier Regions Network Strategy and widen service offerings to include our Edge Computing Services under the brand of *Lingjing Cloud*.

**Bandwidth traffic scheduling:** Our profitability depends partially on our consolidation and scheduling capabilities of our client’s bandwidth usage. We usually purchase fixed bandwidth from our suppliers, based on the number of packet ports, and provide such bandwidth to our clients, charging them by their usage. Thus, we may run the risk of idling bandwidth capacity if our clients’ demand falls short of our fixed capacity. Our Edge Computing Services under the brand of *Lingjing Cloud* provides an important infrastructure of scheduling the bandwidth usage among our clients thereby improving their network performance as well as their customers’ user experience and enhancing our profitability.

**Established relationships with state-owned telecommunication carriers:** Leveraging the server rack space and bandwidth that we mainly source from the state-owned telecommunication carriers, we can provide IDC Solution Services and Edge Computing Services to our top-notch cloud computing service provider and Internet company clients. Our services are complementary to Supplier A in the IDC Solution Services segment. For details, please refer to the paragraphs headed “— Our Strengths — Established and mutually complementary relationships with upstream telecommunication carriers and cross-regional IDC resource suppliers in the area of data centre operation” and “— Our Suppliers” of this section.

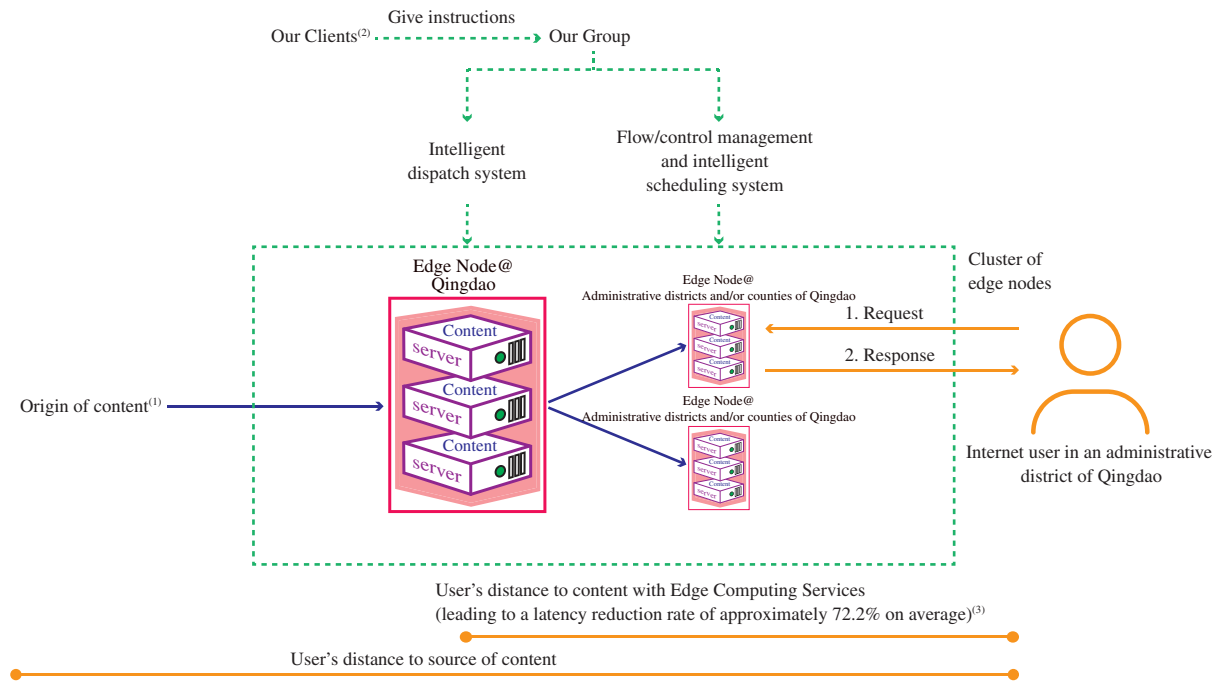
**Rich industry experience and reliable technology:** With our experienced and qualified management team, engineers and operation personnel and our well-devised protocols and procedures, we have been able to deliver satisfactory and quality services to our first-class clients. During the Track Record Period, to the best of our Directors’ knowledge and belief, we did not receive any material complaints which had any material impact on our operation or reputation. Our

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churn rates during the Track Record Period were low. For details, please refer to the paragraphs headed “— Our Strengths — Visionary and experienced management team” and “— Our Clients — Colocation and infrastructure management service agreement — Termination” of this section.

## The value chain, flow and business models of our Edge Computing Services

Our Edge Computing Services under the brand of *Lingjing Cloud* include CDN services, EdgeAIoT Services and other edge functionality which has been traditionally delivered by hardware-centric appliances. It offers our clients services with low-latency, low-lagging and high download speed, accurate edge node deployment and high cache hit rate, allowing users’ information request to be transmitted to and/or from the edge of the Internet instead of the source of content and their operational efficiency to be enhanced. The following diagram illustrates the provisions of our Edge Computing Services to an Internet user in an administrative district of Qingdao (for illustration purpose only):



- cabinet
- content flow
- access to content with Edge Computing Services

Ownership	
Cabinets	Owned by our suppliers who also provide power supply
Servers and cables	Owned, operated and deployed by our Group and housed in the infrastructure provided by our suppliers, including (i) servers, and (ii) specially-configured edge servers and storage servers, which are different types of servers with higher and more enhanced functionalities in terms of efficiency, stability and security as compared with ordinary servers
Content	Owned by our clients

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*Notes:*

- (1) The origin of content refers to the location where the source of the content is located. For example, our clients upload content to their own servers located in a data centre, which are connected directly to our network. Upon receiving requests from the Internet user, we distribute the relevant content to the Internet user through our edge networks. The origin of content could be far away from the Internet user whereas our edge networks located at administrative districts and/or counties levels are relatively closer to the Internet user, thereby facilitating the delivery of our clients' contents.
- (2) Our clients mainly include Internet companies and cloud computing service providers, who provide platforms, websites or search engines to Internet users. The data centre resources (including bandwidth) and edge networks provided by us to our clients serve to facilitate the content transmission from the origin of content to the Internet user.
- (3) The latency reduction rate is the average percentage change of latency with the use of Edge Computing Services in the servers located in Qingdao as at the Latest Practicable Date. For details of the latency time with and without the Edge Computing Services, please refer to the paragraph headed “— Our Services — Edge Computing Services — Operating data — Number, location and bandwidth usage of the edge nodes established by our Group” of this section.

Edge Computing Services or edge cloud is a form of infrastructure and computing service distinguishable from our IDC Solution Services in that they enable our clients and their customers to build, secure and deliver digital experiences, at the edge of Internet, based upon our self-built edge computing infrastructure. This service represents the convergence of the CDN with functionality which has been traditionally delivered by hardware-centric appliances such as DDoS solutions. Clients of our Edge Computing Services can also be clients of our IDC Solution Services. However, they do not compete with each other for businesses, because the applicable circumstances for IDC services and Edge Computing Services are different. In this regard, IDC solution services are largely applicable in large-scale applications and centralised data storage such as web hosting, cloud computing, software-as-a-service and data-intensive applications, whereas Edge Computing Services are specifically designed for applications that demand low latency, real-time processing and localised data management, which are particularly valuable for IoT deployment, autonomous systems, video streaming and immersive experiences that require immediate and localised responses. In addition, IDC solution services usually cater to large-scale cloud service providers in tier-one and tier-two cities, whereas Edge Computing Services cater to those in tier-two and tier-three cities. Being able to provide a more diversified service portfolio will help strengthen our established relationship with the clients of IDC Solution Services. For details, please refer to the paragraph headed “Industry Overview — Overview of Internet Data Centre Business Market and IDC Solution Services Market in the PRC — Difference in the technology adopted for IDCs and edge computing” in this prospectus.

An edge node, which primarily comprises specially configured edge servers, storage servers and the edge computing service components owned and developed by our Group, is housed in the infrastructure provided by our suppliers, as compared to the case of our IDC Solution Services where the servers are owned by our clients. Content is transmitted from the source of content located at the servers in the data centres to the servers located at the edge nodes and is temporarily stored therein through the cache technology. The deployment of edge node allows users to request content at the edge instead of the source of content, thereby shorten the processing time required for delivering the content.

Edge nodes can be far from the data centre where the source of content is located and are situated at municipal levels or administrative districts and counties levels which are closer to the content users. By employing our Edge Computing Services, our clients allow their users to have access to the content at the edge node without the need to request content at its source. The decentralisation of content greatly reduces the user's time spent and distance travelled to source of content.

To facilitate the efficient operation of the edge nodes, our Group's research team has developed various systems and platforms in relation to intelligent deployment, scheduling and flow/control management system to effectively optimise the traffic flow, and provide sufficient maintenance and security at the edge nodes.

*Value created by our Edge Computing Services*

Our Edge Computing Services reduce our clients' time required and distance travelled to the source of content and enhance their operation efficiency. In addition, the value-added benefits offer by our Edge Computing Services compared to the traditional IDC solution services, including:

- (i) reduced latency, enabling real-time processing and faster response time for time-sensitive applications;
- (ii) enhanced reliability with a decentralised architecture, reducing a single point of failure;
- (iii) improved bandwidth efficiency, reducing the need to transmit large amounts of raw data to centralised data centres for processing;
- (iv) strengthened data privacy and security by eliminating the need for transmitting data to central data centre, minimising the potential exposure of sensitive information during the transmission process; and
- (v) upgraded real-time insights and decision-making process, facilitating industrial automation, autonomous vehicles and remote monitoring featured with the need of immediate response processing data at the edge.

The functionality of our Edge Computing Services is conducive to various advanced technologies in different domains, including:

- (i) IoT deploying, allowing efficient processing and analysis of data generated by IoT devices at the edge;
- (ii) artificial intelligence and machine learning, reducing latency and enabling real-time inferencing;
- (iii) augmented reality and virtual reality, reducing latency and enabling real-time processing and rendering of immersive content; and

## BUSINESS

- (iv) video analytics, enabling applications like video surveillance, object detection, and facial recognition with reduced latency and enhanced privacy.

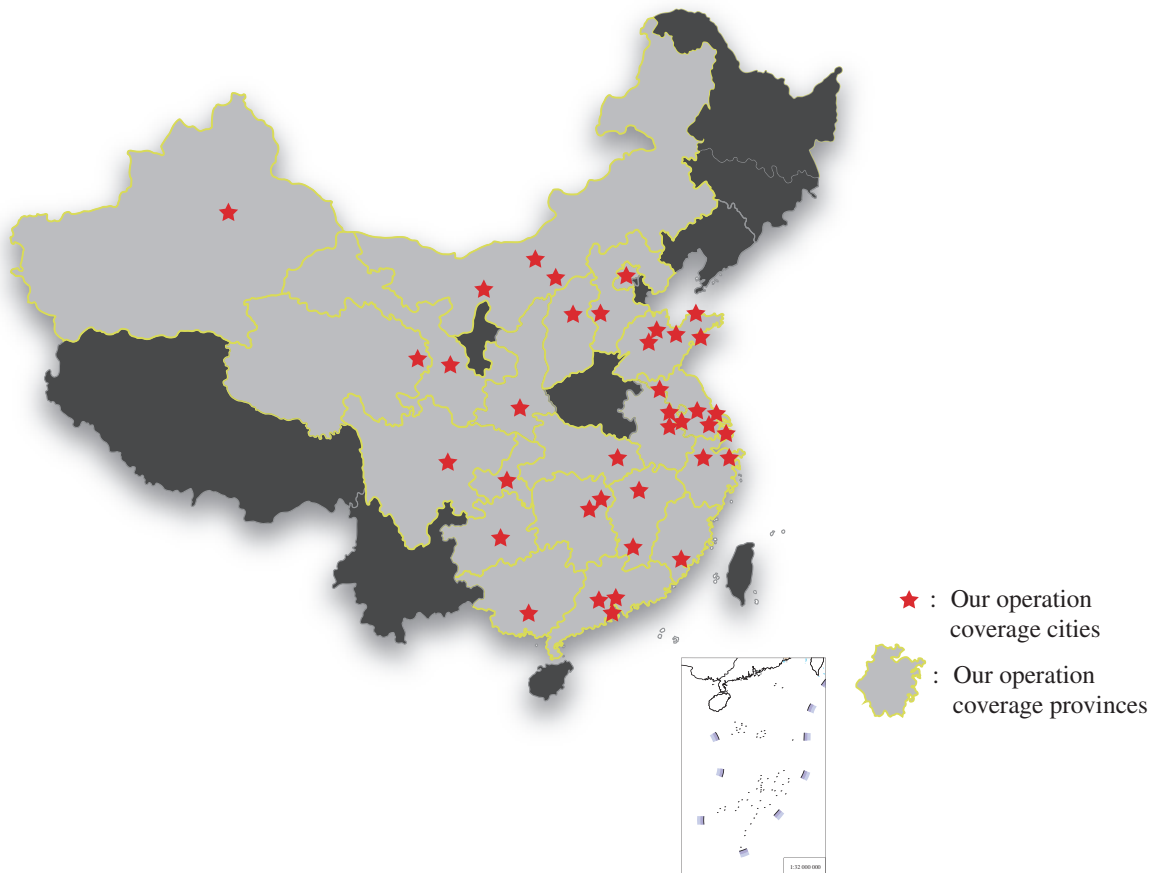
For details, please refer to the paragraph headed “Industry Overview — Overview of Internet Data Centre Business Market and IDC Solution Services Market in the PRC — Introduction of edge computing” in this prospectus.

### Business Model of our ICT Services and Other Services

We usually provide our ICT Services and Other Services on a project basis per client’s occasional enquiries and requests. They include information communications technology solution, system development and maintenance, consultation services and provision of cloud computing hardware resources to our clients. We also provide short message services, phone plan recharge service and WeChat corporate mini-application development services.

### OUR GEOGRAPHICAL PRESENCE

The following map illustrates the geographical presence of our operations for the Track Record Period:



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The following table sets out the breakdowns of number of cabinet usage, for accommodating the servers provided by our clients in connection with their bandwidth procurement, and bandwidth usage concerning the network or our managed data centres we established for the Track Record Period:

		For the year ended 31 December					
		2021		2022		2023	
Regions	Locations of data centres	Number of cabinet usage <sup>(2)</sup>	Approximate bandwidth usage (in Gbps)	Number of cabinet usage <sup>(2)</sup>	Approximate bandwidth usage (in Gbps)	Number of cabinet usage <sup>(2)</sup>	Approximate bandwidth usage (in Gbps)
Northern	Beijing (北京)	—	2,987.1	—	5,750.4	—	305.8
	Hohhot (呼和浩特)	581	11,957.9	1,240	20,507.6	1,853	24,111.5
	Baotou (包頭)	10	897.0	18	1,800.0	8	980.0
	Wuhai (烏海)	2	170.0	24	1,680.0	1	10.0
	Taiyuan (太原)	171	2,569.0	16	256.5	376	4,049.7
	Shijiazhuang (石家莊)	10	0.4	—	—	—	—
Eastern	Qingdao (青島)	2,324	38,483.0	2,462	41,432.9	2,112	48,830.9
	Jinan (濟南)	274	4,677.3	288	5,801.8	178	2,998.1
	Weihai (威海)	—	—	9	300.0	57	1,406.8
	Weifang (濰坊)	75	1,929.5	326	7,926.8	762	12,292.4
	Zibo (淄博)	—	—	—	—	50	863.4
	Shanghai (上海)	8	2,950.7	—	13,346.8	98	623.5
	Nanjing (南京)	7	0.3	—	—	—	—
	Suzhou (蘇州)	36	1,200.0	—	—	—	—
	Wuxi (無錫) <sup>(3)</sup>	10,201 <sup>(4)</sup>	5.3	2	6.8	3	70.2
	Xuzhou (徐州)	52	1,121.0	74	1,941.1	72	1,920.0
	Ningbo (寧波)	9	0.4	—	—	—	—
	Hangzhou (杭州)	—	—	—	—	—	4,292.7
	Ma'anshan (馬鞍山)	—	—	—	—	5	135.0
	Nantong (南通)	—	—	—	—	173	2,129.5
Chuzhou (滁州)	—	—	—	—	7	200.0	
Central	Changsha (長沙) <sup>(1)</sup>	—	—	4	0.0	—	—
	Xiangtan (湘潭)	—	0.1	—	—	—	—
	Ganzhou (贛州)	—	—	—	—	16	396.3
	Wuhan (武漢)	—	—	—	—	99	1,482.3
	Nanchang (南昌)	—	—	—	—	—	3,986.8
Southern	Foshan (佛山)	180	8.0	—	—	—	—
	Guangzhou (廣州)	10	0.4	—	—	—	4,292.7
	Shenzhen (深圳)	7	0.3	—	—	—	305.9
	Xiamen (廈門)	—	—	—	—	—	3,986.8
	Nanning (南寧)	201	4,322.8	—	—	116	5,246.9
South-western	Deyang (德陽) <sup>(1)</sup>	—	0.1	4	0.0	—	—
	Guiyang (貴陽)	12	0.4	—	—	55	1,352.0
	Chongqing (重慶) <sup>(1)</sup>	0	0.1	4	0.0	—	—
North-western	Urumqi (烏魯木齊)	71	2,049.3	78	1,443.7	86	1,232.1
	Haidong (海東)	111	1,621.3	33	1,180.0	295	5,761.1
	Lanzhou (蘭州)	35	700.2	—	—	—	—
	Xi'an (西安)	—	—	—	—	209	2,219.2
Total		<u>14,387</u>	<u>77,651.9</u>	<u>4,582</u>	<u>103,374.4</u>	<u>6,631</u>	<u>135,481.7</u>

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*Notes:*

- (1) The approximate bandwidth usages of Changsha, Chongqing and Deyang for the year ended 31 December 2022 were 0.04 Gbps, 0.04 Gbps and 0.04 Gbps respectively.
- (2) The amount of bandwidth usage coupled with nil cabinet usage in certain direct-administered municipalities and cities, such as Beijing and Shanghai, were due to the relevant clients only procuring bandwidth from us without any need for cabinet usage.
- (3) Despite the fact that our Group is headquartered in Wuxi, the data centre resources procured by our clients were generally irrelevant to our head office due to the extent of our cross-regional network.
- (4) In 2021, as confirmed by our Company, Client B originally directly sourced a certain volume of bandwidth service and cabinet resources (the “**Original Arrangement**”) from the Wuxi branch of Supplier A (“**Supplier A’s Wuxi Branch**”), however, Supplier A’s Wuxi Branch could not deliver the required cabinet resources to Client B on time. Given that it was only the cabinet resources which the Supplier A’s Wuxi Branch was unable to deliver due to specific business needs of Client B, Client B then sought such cabinet resources from us for a transitional period until Supplier A’s Wuxi Branch was able to readily deliver the same. From the technical perspective, it is feasible to use the bandwidth service of Supplier A’s Wuxi Branch with the cabinets of other suppliers. From the commercial perspective, clients may occasionally procure bandwidth capacity and cabinet resources separately in light of their business needs. Under the established relationship with our Group, Client B learned of our Group’s better business connections for sourcing more diverse cabinet resources in Wuxi, and therefore turned to us to help sourcing temporary alternative cabinet resources. Our Group was able to source from another state-owned telecommunication carrier (“**Supplier P**”) to provide immediately available cabinet resources for Client B (the “**One-off Arrangement**”).

As confirmed by our Company, the One-off Arrangement was terminated in August 2021 when Supplier A’s Wuxi Branch could readily deliver adequate cabinet resources to satisfy Client B’s demand. To the best knowledge, information and belief of our Directors, we are not aware of any subsequent arrangement among Client B, Supplier A’s Wuxi Branch and Supplier P, for bandwidth services and/or cabinet resources. In this regard, the One-off Arrangement was transitional where our Group charged Client B RMB5,000 per cabinet, compared with the range of RMB5,000 to RMB6,000 per cabinet we charged our clients in nearby regions under normal circumstances. Supplier P charged us RMB4,600 per cabinet, compared with the range of RMB4,000 to RMB5,000 per cabinet charged by the suppliers in nearby regions under normal circumstances.

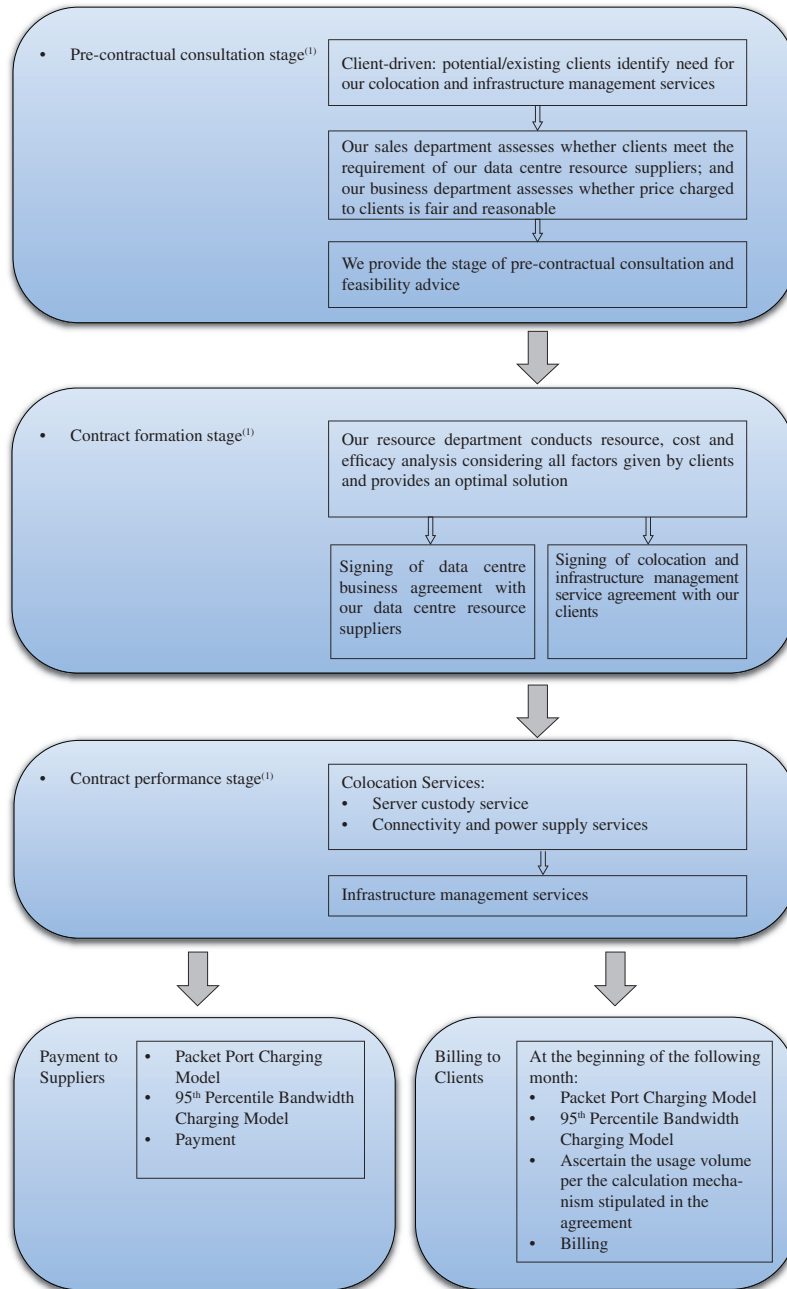
Throughout the Track Record Period, our Group managed to achieve consistent growth in cabinet and bandwidth usages in certain cities including Hohhot, and Weifang. However, we also experienced reduction in cabinet and bandwidth usages in cities such as Nanning and there was a general decreasing number of the cities, especially in the central and southern regions in the PRC, in which our managed data centres covered and operated. This was largely consistent with our strategy to focus on our major clients who could generate profitable businesses to us and reduce unprofitable operations. There is a generally positive but not necessary correlation between cabinet usages and bandwidth usages. Generally when clients procure our IDC Solution Services, they usually procure in a package bundling bandwidth capacity, cabinets and IP addresses for their business needs. Thus, the more bandwidth is to be used, more cabinets would tend to be needed. However, clients may occasionally procure bandwidth capacity separately in light of their business needs. In addition, certain clients may purely use our standalone customised bandwidth services instead of our comprehensive IDC Solution Services. In this regard, the client may only have bandwidth usage without the need to use any cabinet for their servers. For details of our customised bandwidth services, please refer to the paragraph headed “— Our Services — IDC Solution Services — Customised bandwidth services” of this section.



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## OUR IDC SOLUTION SERVICES AND EDGE COMPUTING SERVICES OPERATION PROCESSES

The following flowchart is the overview of the major steps involved in our IDC Solution Services operation process:

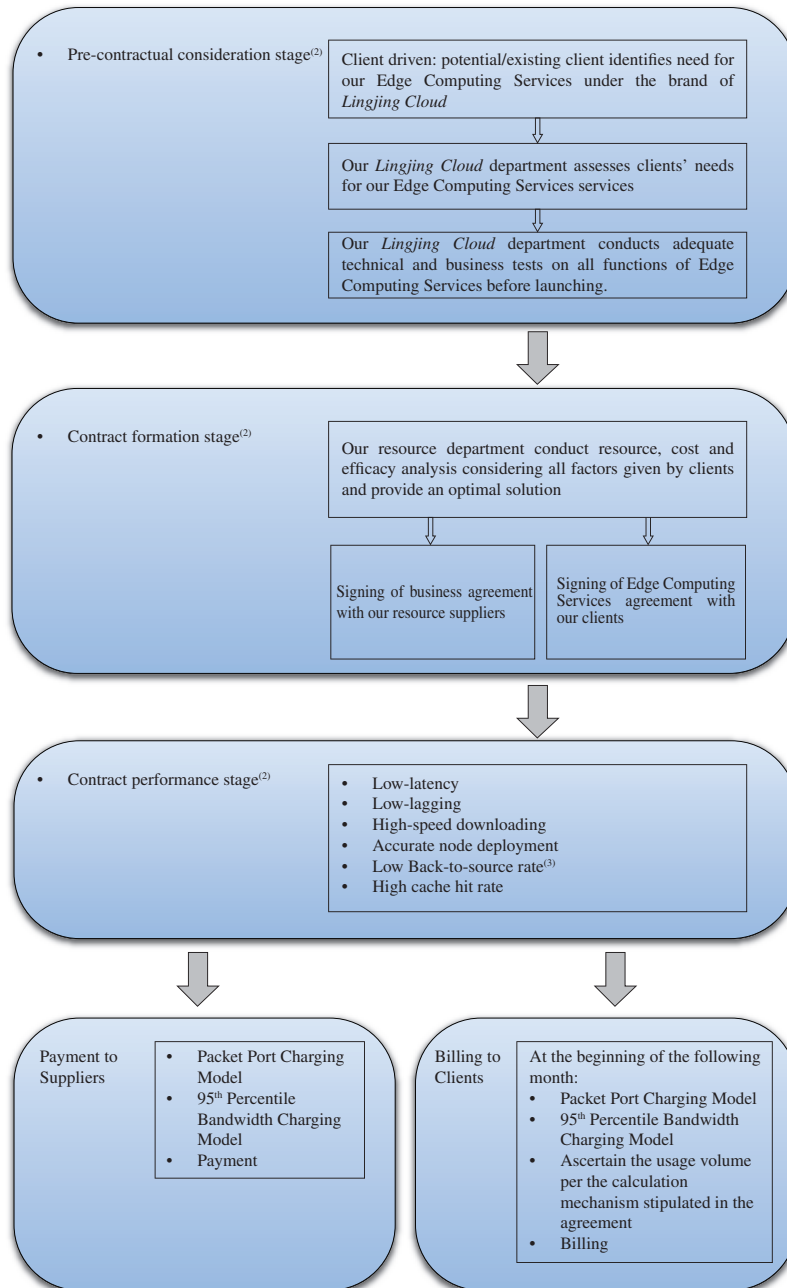


*Note:*

- (1) Due to the approval processes of our Group and our suppliers, it normally takes two to three weeks to complete the pre-contractual consideration stage, the contract formation stage and the preparation work for the contract performance stage. Depending on the situations, it is not uncommon for our Group to complete the pre-contractual consideration stage and start the contract performance before the contract was actually signed in order to satisfy the timely or urgent needs of our clients.

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The following flowchart is the overview of the major steps involved in our Edge Computing Services under the brand of *Lingjing Cloud*'s operation process.



*Note:*

(2) As we cross-sell our Edge Computing Services to our existing clients of IDC Solution Services, the typical completion time of the pre-contractual consideration stage, contract formation stage and the preparation work for the contract performance stage of our Edge Computing Services is similar to that of our IDC Solution Services.

(3) Back-to-source rate refers to the rate at which users have to request information from the source of the origin instead of the edge node due to the lack of cache at the edge node.

We have developed data centre management and operating procedures, protocols and standards which enable us to meet or exceed the performance and quality levels required in our agreements with our industry-leading clients. We have been certified ISO 20000 (certification for information technology service management) and ISO 27001 (certification for information security management systems) since 2020.

### **Pre-contractual Consultation Stage**

Driven by clients' demand, our Group receives instructions to provide IDC Solution Services in a specific area regarding their Internet business. On the basis of their requirements for data centre resources specifying the desired amount of server racks, server rooms, server space, the number of IP addresses, the quality of bandwidth they would like to procure and whether there is any need for our Edge Computing Services under the brand of *Lingjing Cloud*, we perform relevant analysis through internal discussion. We would take into account whether this client is qualified by our suppliers' standard, including whether the requisite licences of the relevant operations have been obtained and whether the server or other equipment quality fulfils the required technology standard in order not to compromise the safety of the Internet as stipulated in our data centre business agreement in order to ensure the operation carried out thereunder would not contravene any legal requirements. We will also consult our supplier as to the availability of data centre resources and the quotation as a customary measure to ensure that at the pre-contractual consultation stage, our Group can secure the data centre resources before committing to our clients. Communications with the suppliers are a lowest-cost discovery process, which allows us to coordinate with various suppliers, optimise and maximise the efficiency of bandwidth utilisation, by sourcing suppliers' less used or idle capacity at a lower cost. Such information is an important component in the rate of return and cost analysis of our Group's operation, and can affect our quotation to our potential clients. We then evaluate the rate of return of this potential transaction, the cost analysis, and the resource availability.

Our Directors believe that the capability, location, and quality of our sourced data centres are key to maintaining our competitiveness. Our extensive cross-regional network of managed data centres puts us at an advantageous position to coordinate and arrange how our clients' servers are operated in terms of the size, timing, and location.

The feasibility analysis would be considered in detail and an optimal solution would be given to the client, specifying the recommended location of the facilities, the contract price, the term and so on. We seek to secure sourced data centres both in close proximity to main business districts and to areas with a high concentration of enterprises in order to satisfy the location preferences of our target segments. When appropriate, we may also counter-advise our clients as to the most optimal location which may be different from their originally desired one.

Where the client was satisfied with our proposal, we would proceed to finalise the colocation and infrastructure management agreement with the client and the data centre business agreement with the supplier.

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There have been clients requesting and procuring our Edge Computing Services under the brand of *Lingjing Cloud* since 2022. Undergoing the same feasibility analysis process above, the service offerings will be blended into a one-stop and holistic solution service tailor-made for our clients' needs and reflected in the edge computing service agreement.

### **Contract Formation Stage**

After the colocation and infrastructure management agreement and the edge computing service agreement with our clients, and the data centre business agreement with our suppliers have been finalised, our Group would sign with the clients and the suppliers respectively. Alternatively, should there be unutilised and idle bandwidth capacity under other existing data centre business agreements available for our existing clients at our disposal, we may re-arrange, re-allocate and re-schedule such available capacity for our new clients. Our Company will ensure there is sufficient bandwidth capacity reserved according to contracts with existing clients before such re-arrangement, re-allocation and re-scheduling idle capacity for new clients. For details of the salient terms of the data centre business agreement and the colocation and infrastructure management agreement, please refer to the paragraphs headed “— Our Suppliers — Data centre business agreement” and “— Our Clients — Colocation and infrastructure management service agreement” of this section.

### **Contract Performance Stage**

Once a colocation and infrastructure management agreement and/or edge computing service agreement are executed, we are bound to complete the server racking and deliver the designated bandwidth and Edge Computing Services under the brand of *Lingjing Cloud* within a designated timeframe. We would also perform the following services on an ongoing basis:

- data centre management services;
- server monitoring, management and maintenance services;
- server load balancing service;
- emergency reporting;
- network management and server middleware services;
- server security service;
- data backup, business continuity and disaster recovery services;
- system security services;
- technical consultation;
- general reporting;

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- upgrade support; and
- complaint handling.

For detailed elaboration of the infrastructure management services we provide, please refer to the paragraph headed “— Our Services — IDC Solution Services — Infrastructure management services” of this section.

Our data centre operation team is responsible for directing, coordinating, and monitoring the daily operation of our data centre facilities. We assign dedicated staff as a relationship manager to our clients usually. Our in-house maintenance and network engineers stand by and manage remotely our managed data centres on 365/24/7 basis. As at the Latest Practicable Date, we provide two layers of management and support to our clients, including (i) the remote support provided by our Group, and the on-site technicians and personnel responsible for the daily operation and security of the data centres, who were deployed by the supplier that owns the data centres to all data centres and operation centres managed by us; and (ii) certain maintenance and network engineers deployed in operation centres and data centres with high bandwidth usage in Shandong Province. The maintenance and network engineers deployed by us are mainly responsible for such more complicated tasks such as troubleshooting and hardware changes. The factors affecting the deployment of our maintenance and network engineers in the data centres include the needs of daily maintenance work and the volume of businesses in such data centres. Furthermore, we are able to arrange outsourced technicians as additional support for data centres and operation centres to maintain their daily operation, conduct routine check-ups and perform urgent trouble-shooting tasks on an as-needed basis.

We assume technical responsibilities which have bearing on data centre performance, including, optimising data centre efficiency, surveillance of the critical facilities environment and network performance, incident response management and rectification. We also assume responsibilities for activities which may have an impact on our clients, including support for server racking, incident and compliance reporting, and response to client requests.

We have developed proprietary data centre management software which provides real-time information on network traffic and network quality and enables us to enhance our data centre management performance quality. We have also developed robust operating procedures, protocols and standards which enable us to meet and exceed our client’s expectations of our services. We believe that our standard of IDC Solution Services operations, which reflects our competency and quality services, sets us apart from many IDC solution service providers which solely adopt the non-self-built data centre model in China.

### **Billing and Payment Stage**

We generally charge our clients on two pricing models for bandwidth usage in our colocation and infrastructure management agreements. We employ a simple network management protocol (SNMP) to capture the data every five minutes at the beginning of a month in order to collect bandwidth utilisation samples over a period of time. Then, we sort the values from highest to

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lowest and remove the top 5% of values. The remaining highest value is the 95<sup>th</sup> percentile value on which the measure of the bandwidth is based. This process is a market practice of measuring data traffic flow which is commonly known as 95<sup>th</sup> percentile bandwidth usage metering (the “**95<sup>th</sup> Percentile Bandwidth Charging Model**”). For more details of the 95<sup>th</sup> Percentile Bandwidth Charging Model, please refer to the paragraph headed “— Our Clients — Colocation and infrastructure management service agreement” of this section.

Our suppliers generally charge us based on the number of packet ports used and the fixed price per packet port (the “**Packet Port Charging Model**”) or the 95<sup>th</sup> Percentile Bandwidth Charging Model. The Packet Port Charging Model is generally more popular with our suppliers as we would purchase the bandwidth capacity from them in bulk at a lower per-gigabyte price. It falls on our Group to allocate and schedule the traffic flow among our clients in order to avoid idling capacity. On the other hand, our clients would generally prefer to be charged under the 95<sup>th</sup> Percentile Bandwidth Charging Model. It is because under this model we charge our clients on a pay-as-you-use basis. They do not have to bear the risk of paying for idling packet ports and bandwidth if the traffic is low. The average per-gigabyte cost is usually higher under the 95<sup>th</sup> Percentile Bandwidth Charging Model than that of the Packet Port Charge Model, because only if each of the packet ports under the latter charging model is largely, fully or overly utilised would the average cost of such charging model be sufficiently driven down. Therefore, our clients would tend to reserve flexibility if the traffic nature of the content provided by them is expected to achieve less-than-full utilisation of the packet ports.

As confirmed by our Directors, the 95<sup>th</sup> Percentile Bandwidth Charging Model and the Packet Port Charging Model are the most prevalent pricing models commonly adopted in the industry in relation to the charge on bandwidth usage.

We would generally attempt to pass on any fluctuation in cost to our client. In addition, there may exist a delay in such cost pass-through, resulting in a mismatch between the rise in the fees charged to us and the rise in our price charged to our client. For details, please refer to the paragraph headed “Financial Information — Description of Major Components of Our Results of Operations” in this prospectus.

### OUR SERVICES

We primarily derive revenues from providing (i) IDC Solution Services which include colocation services and infrastructure management services; (ii) Edge Computing Services under the brand of *Lingjing Cloud*, which include EdgeCDN Services, EdgeAIoT Services and other edge functionality which has been traditionally delivered by hardware-centric appliances; and (iii) ICT Services and Other Services to our clients. We usually provide our ICT Services and Other Services on a project basis, per clients’ occasional enquiries and request. For details, please refer to the paragraph headed “— Our Strategies — Pursue regional opportunities horizontally and deepen service offerings vertically” of this section.

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The following table sets forth a breakdown of our revenue by service for the years indicated:

	For the year ended 31 December					
	2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%
IDC Solution Services	437,232	94.2	538,662	98.2	673,752	96.8
Edge Computing Services	—	—	5,202	0.9	18,064	2.6
ICT Services and Other Services	27,044	5.8	4,889	0.9	4,133	0.6
	464,276	100.0	548,753	100.0	695,949	100.0

### **IDC Solution Services**

#### *Colocation services*

Our top-notch cloud computing service provider and Internet company clients need our server hosting services, efficient connection to the Internet and adequate power source. Our colocation services mainly comprise (i) server custody service and (ii) connectivity and power supply services.

#### *Server custody service*

We provide a secure, reliable, humidstatic and thermostatic indoor and built environment for accommodating our clients' servers and related networking equipment. Our data centre resources provide such basic infrastructure essential for our clients' operation of their Internet-based businesses, as supported by the availability of power, connectivity, cooling and other bespoke server management services.

We offer colocation services to our clients who can at their own liberty decide how their servers, networking and storage are to be hosted. The procurement options include a section of a cabinet or, an entire cabinet, for their servers and equipment. Our clients assume full control over their servers and full responsibility over the content software in their servers hosted in our managed data centres. Our managed data centres provide our clients' servers with redundant power supply, ventilating, air conditioning systems and connection to the Internet. Our colocation service is a part of the cloud service which allows our clients to bypass the cost and complexity of buying and managing physical servers and data centre infrastructure so that they can focus on their main business and enhance their core competitiveness.

Our colocation operation can be scaled correspondingly to satisfy our clients' expansive needs. As our clients' requirements evolve, we can provide upgraded capacity and connectivity as they so need. The data centres we manage are featured with a variety of strong security attributes comprising sensitive smoke detectors, temperature detection and alarm systems, fire suppression systems, secured access, around-the-clock video camera surveillance and security breach alarms. Our managed data centres are fully redundant with a mirrored system of two independent



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distribution systems. Thus, the interruption of power supply or Internet connectivity can be prevented despite a failure of one power or network source. Our managed data centres are also featured with resilient power supplies, efficient energy consumption, multiple-line network and 365/24/7 on-site support from our skilled engineers. Under the colocation and infrastructure management service agreement with our clients, we guarantee our clients 99.99% uptime for power and 99.90% uptime for Internet connectivity. Same provisions also exist in the data centre agreement with our suppliers. Thus our Group and our clients should be able to be indemnified by the relevant suppliers should the guaranteed performance under the colocation and infrastructure management service agreement are not met. Our Directors believe that such clauses should be market standards in the IDC solution service market. To the best of our Directors' knowledge and belief, there were no material dispute or complaints by our client as to our performance during the Track Record Period.

Our managed data centres have been strategically located at not only the provincial capitals and relatively more economically developed cities, but also prefecture-level cities and administrative districts and counties where our network facilities, power source and our clients' business needs converge. Our operation coverage extended across 38 cities in the PRC for the years ended 31 December 2021, 2022 and 2023. Despite not having self-built data centres, as the IDC industry in the PRC has entered into a transformation stage in the mid-2010s, we worked with Supplier A in the formulation of management and maintenance standards and procedures for the operation of their data centres, provision of personnel support for the management and training their staff to operate data centres in Shandong Province. Our starting point in Qingdao laid the foundation of our lasting relationship with Supplier A. For details, please refer to the paragraph headed “— Our Strengths — Established and mutually complementary relationships with upstream telecommunication carriers and cross-regional IDC resource suppliers in the area of data centre operation” of this section. Since then, our co-development and joint exploration of data centre operation with Supplier A have extended to provinces such as Jiangsu Province, Guangdong Province, Zhejiang Province, Guangxi Province, Hebei Province, Sichuan Province, Guizhou Province, Qinghai Province, Xinjiang Uygur Autonomous Region, the Inner Mongolia and the direct-administered municipalities of Shanghai and Chongqing.

### *Connectivity and power supply services*

We provide connectivity lines, optical fibres, and bandwidth to our clients' requirements. As an IDC solution service provider, our managed data centres are connected to multi-carrier networks in the PRC. In addition, we also provide our clients with charts and analysis for data centre traffic, gateway environmental monitoring, configuration of domain name system. As a result, we can ensure minimal occurrence of connection outages including low download speed, network delay and packet loss.

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Our managed data centres have made available high-capacity, stable and constant dual power supply, supported by separate power supply and diesel generators, to ensure that the power supply is uninterrupted in the event of the failure of one power source. Our maintenance staff make necessary adjustments to avoid the situation where the power supply capacity agreed with our clients is exceeded.

Our Directors confirm that save as the unforeseen interruptions that occurred preventing us from meeting the guaranteed Internet connectivity as disclosed under the paragraph headed “Business — Our services — IDC Solution Services — Operating data — Uptime for power and Internet connectivity” in this prospectus and the foreseen interruption caused by the scheduled maintenance, testing or other technical adjustment, which have been duly notified to our clients in advance, there were no unexpected interruptions either in power or Internet connectivity during the Track Record Period and up to the Latest Practicable Date.

### *Customised bandwidth services*

Per our clients’ request, we may occasionally provide customised bandwidth services to them. Examples include integrated and unified content acceleration services. During the Track Record Period, we sourced such integrated services from our suppliers and sold to our clients with modifications.

### *Infrastructure management services*

The stability of our colocation services is supported by our infrastructure management services serve to provide us with flexibility and resilience and set us apart from our competitors. We provide a full suite of infrastructure management services including server racking, data centre management services, server monitoring, management and maintenance services, server load balancing service, emergency reporting, network management and server middleware services, server security service, data backup, business continuity and disaster recovery services, system security services, technical consultation, general reporting, upgrade support and complaint handling.

Our in-house maintenance and network engineers stand by and manage remotely our managed data centres on a 365/24/7 basis. Our teams are deployed in certain regional operation centres, as well as on site, in order to provide two layers of management and support. We will assign dedicated staff as a relationship manager to our clients who procure over a certain number of cabinets. Our network engineers are skilled at basic system commands and hard disc maintenance, have a good understanding of servers of major brands, basic input/output system and router and switch operations, and are able to configure the IP address and independently resolve outage situations. Despite the fact that we do not have access to our clients’ data, we have established effective operating protocols and standards to fulfil client specifications in relation to daily operation, maintenance and disaster recovery.

- *Server racking.* Once an IDC solution service agreement is executed, we are bound to complete the server racking within a designated timeframe, the process of which includes server rack installation, installation of power supply, connection of server to the Internet,

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structured cabling, server power configuration, network parameter testing and debugging, configuration of spanning tree protocol, operational environment setup and pre-operational stress testing.

- *Data centre management services.* We strictly adhere to our self-built management and compliance protocols which are of high industry standards and used for operating and managing high-performance data centres from major telecommunication carriers in the PRC.
- *Server monitoring, management and maintenance services.* Our server management services allow clients to engage the services of our data centre staff to handle problems that occur to their servers. At the clients' request, our staff can fix operating system issues, perform emergency equipment replacement, implement server reboots, monitor real-time server status, report network faults within a short, prescribed timeframe and other tasks related to servers housed in our managed data centres. These services help clients minimise network outages and improve response and repair times. In the event of connection outages, our skilled engineers will provide timely solutions or liaise with the IDC resource suppliers to solve the issue.
- *Server load balancing service.* We assure our clients that the upstream bandwidth and downstream bandwidth can achieve their maximum capacity in each node of their content delivery network. When website experiences a significant traffic spike, servers may not be able to duly answer or react to visiting requests. Our server load balancing services operated by our self-built traffic balancing system, are designed to provide load balancing facilities among the uplinks and downlinks to and from our client's server in their content delivery network system in order to share the increased traffic and therefore moderate the burden on main servers of our clients. On the other hand, where the bandwidth does not reach 95% of its full capacity, packet loss and delay should be kept at a designated low level.
- *Emergency reporting.* To ensure uninterrupted network connection, for every five minutes, our self-built network quality monitoring alarm system automatically tests the reachability of our clients' servers to the Internet. It will be deemed as an emergency if the clients' servers fail the test two times consecutively. In that circumstance, we will notify our clients of the situation and, per clients' instruction and authorisation, will resolve or assist the clients in resolving the situation. Our staff will not operate our clients' system, including browsing or revising servers' data, installing, or deleting servers' software and operating or terminating servers' applications, unless written consent is given by our clients. We regularly update our clients of the latest status.
- *Network management and server middleware services.* We assist our clients in designing and maintaining their private network or cloud system and place their system under the management of our round-the-clock monitoring system in order to provide

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proactive maintenance response in case of abnormal incidents. Our maintenance engineer provides middleware installation services upon our clients' instruction and performs tuning services across a range of platforms.

- *Server security service.* To shield clients' servers and connections from external system threats or physical interference, we perform a vulnerability assessment protocol which offers a detailed reporting system with explanations regarding security risks and any other issues in the servers or applications. Our skilled maintenance and network engineers conduct regular assessments of various devices to determine the extent of threats from external attackers through different vulnerability assessment tools and techniques. In case of forthcoming external attack, we determine the source and nature of the attack, formulate responsive strategies, minimise the impact on bandwidth flow and migrate the system to backup source of clean traffic, via our collective management command system, in order to ensure the orderly operation of our clients' business.
- *Data backup, business continuity and disaster recovery services.* In anticipation of such disastrous circumstances as the outbreak of fire hazard, power and network breakdown, our managed data centres have (i) efficient fire suppression system; (ii) redundant diesel generators in addition to our dual power supply system; and (iii) collective command management system which connects servers and nodes in order to minimise the impact of the breakdown of one system. We have a multi-node backup system across our managed data centres to achieve real-time backup and restoration in case of failure of one of our managed data centres.
- *System security services.* Our staff have access control, firewall management, intrusion protection and vulnerability protection services. Although our managed data centres are available to our clients, at any time, prior to their entry, they are required to inform us of the reason for entry, the anticipated activities, expected arrival and departure time and required assistance. Our staff will verify the identity of the clients' representative before authorising entry into our operated data centres and issuing access card.
- *Technical consultation.* Upon our clients' enquiries, we identify technical issues and provide appropriate strategies and solutions to them.
- *General reporting.* We proactively inform our clients of the progress update of initial server installation, provide issue handling update, issue data centre cutover and migration notice, issue closure notice in the event of large-scale events and holidays and regularly update them of any change of service content, the handling progress of any complaints and any latest system maintenance update. We also conduct client feedback reviews occasionally to evaluate our service quality.
- *Upgrade support.* We provide advice as to equipment upgrade, alternation, and installation, and provide upgrade operation in assisting clients in completing network connection.

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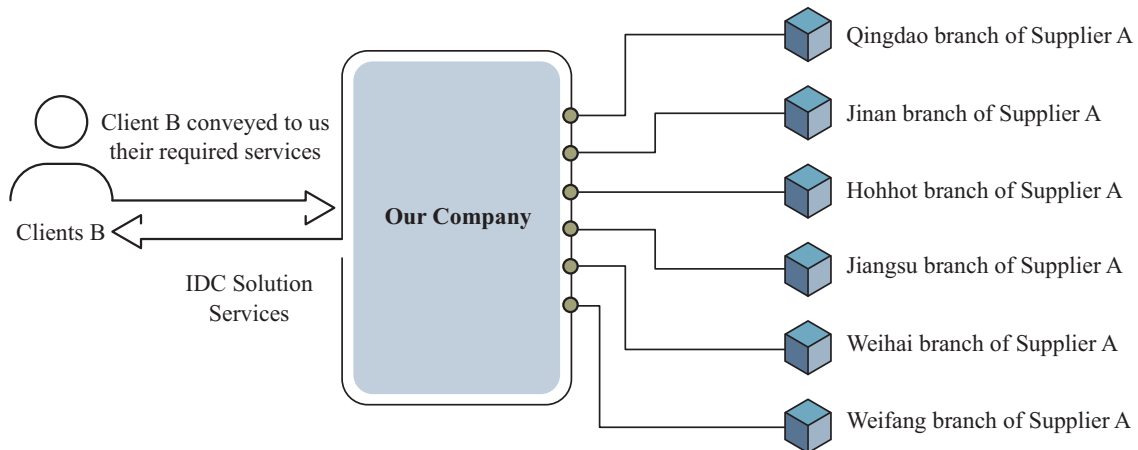
- *Complaint handling.* We have a complaint hotline for our clients who can file a complaint in relation to network quality, client service quality and technical support quality. We will report to our clients within a short time after the complaint is filed and will provide a written report within 24 hours after the issue is resolved.

Our infrastructure management services are tailored to meet the specific objectives of individual clients. We strive to help our clients reduce their costs, re-engineer existing processes, hopefully improve the quality of service delivery and realise a better return on their investment.

### *Case study*

*Background.* Client B is an Internet company with a strong Internet foundation, based in the PRC and listed on the Stock Exchange. Client B looked for data centre resources including bandwidth and cabinets to accommodate their servers in multiple areas of the PRC including Qingdao, Jinan, Weihai, Weifang, Hohhot and Xuzhou for the delivery of the content provided by them in such areas. Client B required the data centre resources of certain amount of bandwidth capacity and a number of cabinets to be provided by certain reliable state-owned telecommunication carriers within their budgets.

*Solution.* Our Group incorporated the information provided by Client B above, liaised with different branches of Supplier A and proposed an optimal IDC solution to Client B by giving it reliable bandwidth capacity at a competitive price after considering our scheduling capability and infrastructure management services including but not limited to server racking, data centre management services, server monitoring, management and maintenance services and server load balancing services. For details, please refer to the paragraph headed “— Our Services — IDC Solution Services — Infrastructure management services” of this section.



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### *Operating data*

#### *Number of clients and average revenue per client*

The following table sets out number of our clients who engaged us for our IDC Solution Services for the years indicated:

	<b>For the year ended 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Number of clients <sup>(Note)</sup>	36	35	51

*Note:* Each of the clients of our IDC Solution Services signed an annual master agreement with our Group and thus the number of clients was the same as the number of active contracts.

	<b>For the year ended 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Total revenue from IDC Solution Services	437,232	538,662	673,752
Average revenue per client	12,145	15,390	13,211

For the three years ended 31 December 2023, we experienced a general increase in the number of clients and a consistent increase in our total revenue. The average revenue per client consistently increased from RMB12.1 million per client for the year ended 31 December 2021 to RMB15.4 million per client for the year ended 31 December 2022. This was consistent with our strategy to focus on our major clients who could generate profitable businesses to us and reduce unprofitable operations. For the year ended 31 December 2023, we recorded an increase in our number of clients but a decrease in average revenue per client when compared with those for the year ended 31 December 2022. This was primarily attributable to our recent strategy to actively engage in businesses with new clients on smaller scale first with a view to establish a long-term business relationship which may generate potentially greater return.

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### *New clients and repeating clients*

The following table sets out number of our new clients and repeating clients who engaged us for our IDC Solution Services and the respective revenue and gross profit margin attributable to them for the years indicated:

	For the year ended 31 December								
	2021			2022			2023		
	Number of contracts	Revenue (RMB'000)	Gross profit margin (%)	Number of contracts	Revenue (RMB'000)	Gross profit margin (%)	Number of contracts	Revenue (RMB'000)	Gross profit margin (%)
New clients <sup>(Note)</sup>	6	39,354	8.9	11	7,219	10.3	30	172,276	9.6
Repeating clients	30	397,878	11.7	24	531,443	12.4	21	501,476	12.5

*Note:* New clients refer to the clients which did not have any transaction with our Group in the past five years.

During the Track Record Period, existing clients constituted the major source of our revenue under the provision of our IDC Solution Services. The overall gross profit margin of the businesses from our new clients is generally lower mainly because we tend to offer more competitive pricing to attract our target clients who are usually major industry leaders. As Client H and Client J significantly increased their demand and purchased our IDC Solution Services in 2021, we offered them more competitive prices, resulting in a remarkable drop in the gross profit margin of our new clients for the year ended 31 December 2021. The revenue generated from our repeating clients constitute the majority of the total revenue in our IDC Solution Services segment.

### *Bandwidth utilisation rate*

The following table sets out the bandwidth utilisation rate of our IDC Solution Services during the Track Record Period:

	For the year ended 31 December		
	2021	2022	2023
Utilisation rate of the bandwidth usage through packet ports procured from Supplier A in Shandong Province <sup>(Note)</sup>	114.0%	118.7%	118.0%

*Note:* Utilisation rate was arrived at by dividing the amount of all clients' bandwidth usage for Supplier A's bandwidth provided by us in the data centres of Shandong Province by the amount of our corresponding bandwidth usage procured from Supplier A through packet ports for our provision of services to clients during a period of time. Since it is unduly burdensome to extract all data of bandwidth usage from the whole IDC Solution Services operation, our Directors considered it representative enough to extract the data from our operation in Shandong Province as such bandwidth usage accounted for over 50% of the total bandwidth procured from Supplier A in the year ended 31 December 2023.

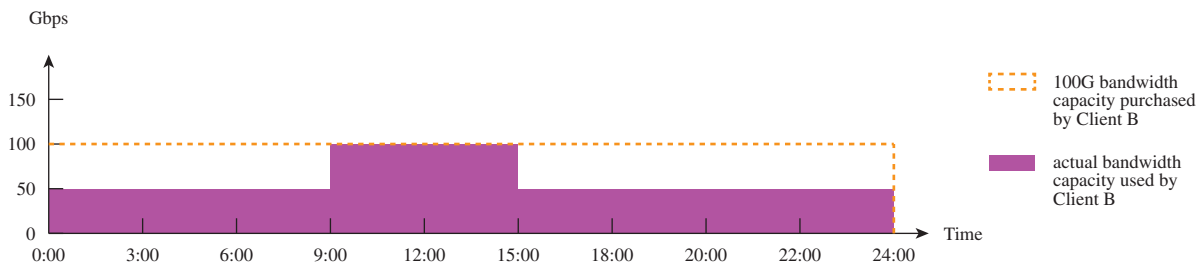
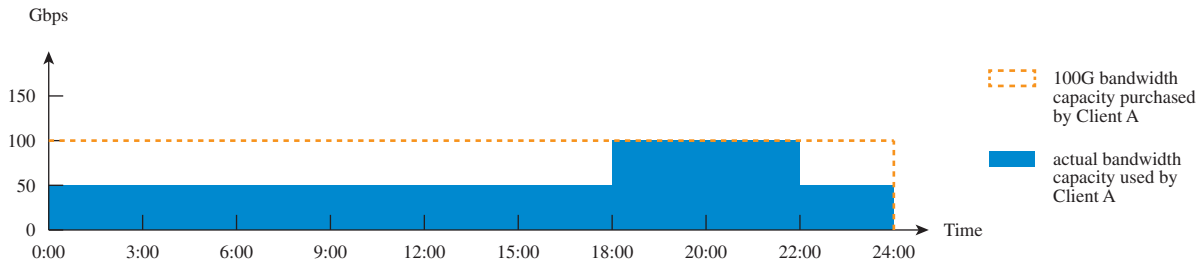
During the Track Record Period, the utilisation rate of the bandwidth procured from our suppliers exceeded 100%. With our bandwidth scheduling and allocation capability, we have been able to limit the number of packet ports we procure from our suppliers and increase the rate of repeatedly using the bandwidth capacity under the same packet ports. This arrangement of



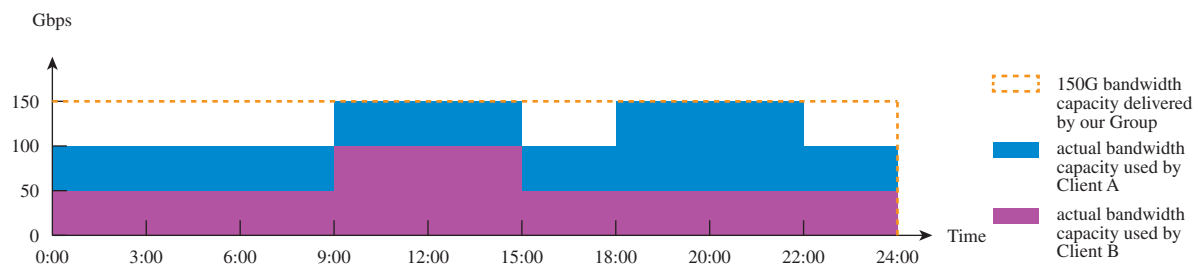
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bandwidth resource reallocation will not adversely affect the uptime for Internet connectivity or the quality of the bandwidth services provided by our Group to our clients. As different clients may have different peak hours of bandwidth usage, we may allocate the idle bandwidth capacity from one client to another. The following diagram represents a simplified illustration of how the bandwidth allocation works:

### Without allocation



### With allocation



On a typical day, each of Client A and Client B requires bandwidth capacity ranging from 50G to 100G at varying peak hours. If no bandwidth allocation were to be performed in this example, our Group would have to deploy 200G packet ports (two 100G packet ports) which would deliver 100G bandwidth capacity to each of Client A and Client B. With bandwidth allocation, our Group is only required to deploy 150G packet ports which could deliver enough bandwidth flexibly from 50G to 100G to serve Client A and Client B as Client A's peak hours (between 18:00 to 22:00) do not overlap with Client B's peak hours (between 09:00 to 15:00). During the Client B's peak hours, the idling bandwidth capacity of the packet port serving Client A is 50G (only 50G bandwidth capacity of the 100G bandwidth capacity required has been used by Client A) which could be allocated to serve Client B with 100G (the idling 50G bandwidth capacity released from

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Client A + 50G). In this regard, our Group deploys 150G packet ports to satisfy a total demand of 200G bandwidth capacity, realising the utilisation rate of 133.3%. As illustrated above, the allocation of idling bandwidth capacity from the packet port serving Client A will not become a factor adversely affecting the quality of bandwidth or uptime for Internet connectivity.

Bandwidth utilisation represents the efficiency and effectiveness of utilising the network resources provided by the IDC service provider. It measures the percentage of the allocated network bandwidth that is actively used for data transmission and communication purposes under the data centre environment. A high bandwidth utilisation rate indicates that a significant portion of the available network capacity is being effectively utilised, which suggests efficient data transfer and network performance. Conversely, a low utilisation rate may indicate underutilisation of the allocated bandwidth, potentially resulting in wasted resources or insufficient network for the need of the IDC service providers. It is estimated that the bandwidth utilisation rate for non-self-built IDC service providers in the PRC ranges from 80% to 140%.

Our PRC Legal Adviser is of the view that given (i) our Group charged our clients by the 95<sup>th</sup> Percentile Bandwidth Charging Model on a pay-as-you-use basis; (ii) contractually we have an established reconciliation process to resolve any dispute as to the amount of chargeable bandwidth usage; and (iii) there is no clause in the colocation and infrastructure management service agreement which expressly prohibits such bandwidth allocation arrangement, the above arrangement will not be in breach of the colocation and infrastructure management service agreement with our clients.

### *Uptime for power and Internet connectivity*

During the Track Record Period, our Group provided 100% uptime for power.

The following table sets out the actual uptime for Internet connectivity in relation to our five largest clients during the Track Record Period.

	For the year ended 31 December		
	2021	2022	2023
	%	%	%
Client A	99.99	99.99	99.99
Client B	99.99	99.84	99.95
Client F	99.89	99.71	99.94
Client H	99.75	99.67	99.99
Client I	99.90	99.48	99.79
Client J	99.99	99.99	99.97
Client K	99.99	99.99	99.99
Client L	—	—	99.99

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*Note* : actual uptime for Internet connectivity is calculated based on the time of uninterrupted Internet connectivity provided for a client of the financial year divided by the total time of Internet connectivity provided for such client during the respective financial year.

During the Track Record Period, there were several occasions on which the actual uptime for Internet connectivity of certain clients fell below 99.90%, mainly attributable to the suppliers' bandwidth fluctuation.

Pursuant to our colocation and infrastructure management service agreement with our clients, we guarantee our clients 99.90% uptime for Internet connectivity. Therefore, on the several occasions mentioned above, we were required to compensate our clients. The following table sets out the total compensation from our Group to our clients for the years ended 31 December 2021, 2022 and 2023, respectively:

	For the years ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
The total compensation to clients	748	2,149	2,668

Nevertheless, we were fully indemnified by our suppliers for the abovementioned compensation under the relevant data centre business agreements, pursuant to which our suppliers would guarantee us up to 99.90% uptime for Internet connectivity.

### Edge Computing Services

Our Edge Computing Services or edge cloud, under the brand of *Lingjing Cloud*, is a form of infrastructure and computing service distinguishable from our IDC Solution Services in that they enable our clients and their customers to build, secure and deliver digital experiences, at the edge of the Internet, based upon our self-built edge computing infrastructure. This service represents the convergence of the CDN with functionality which has been traditionally delivered by hardware-centric appliances such as DDoS solutions. It aims to move computing power and logic as close to the end-user as possible. We believe that when milliseconds matter, processing at the edge is an ideal way to handle highly dynamic and time-sensitive data.

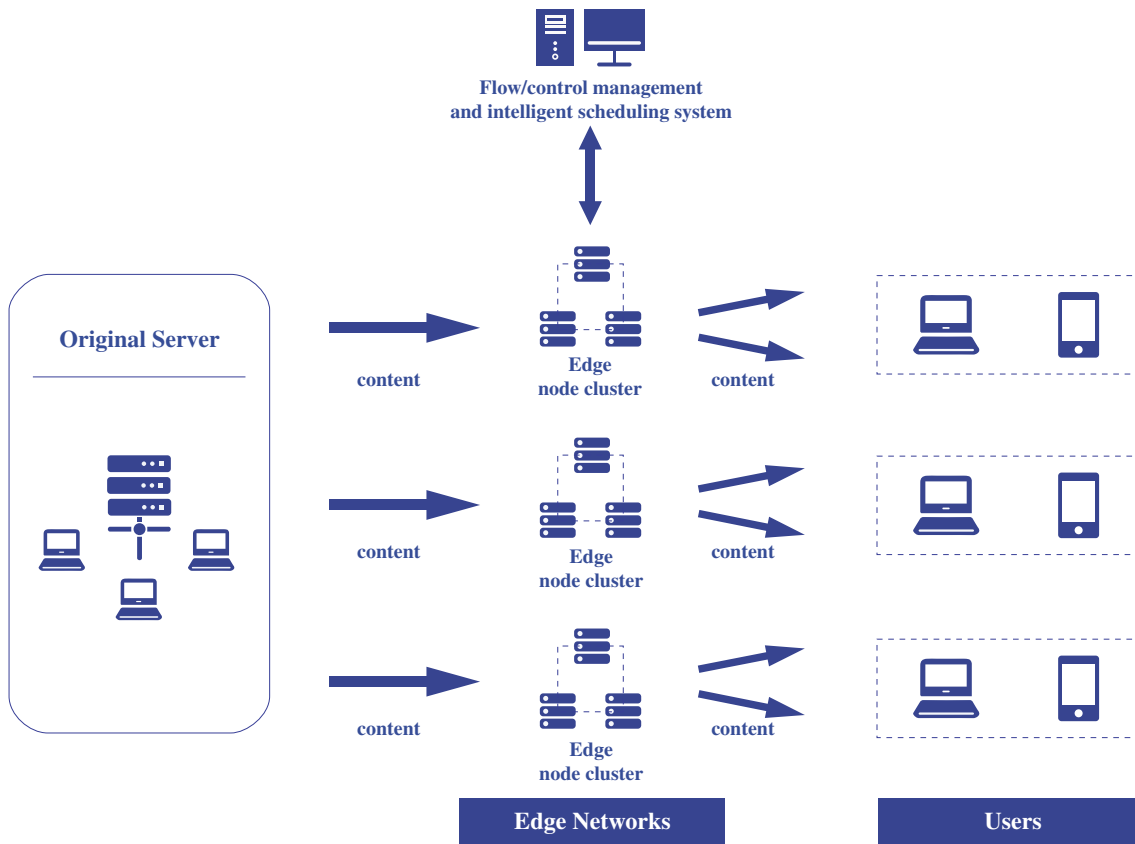
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As at the Latest Practicable Date, our Edge Computing Services include:

- *EdgeCDN Services (under the brand of Lingjing Cloud)*: an infrastructure composed of hundreds of servers distributed at various points around the Internet, linked together by software that controls where media content objects are stored and how they should be delivered to end-users, providing delivery of digital media to large and nation-wide audiences via (1) the HTTP/Web delivery (digital delivery of rich media content including video, music, games, software and social media); (2) the streaming delivery (on-demand and/or live streaming for major file formats); and (3) the custom CDN (special construction of our network to meet the unique demands content providers face in delivering rich media content to large audiences of demanding Internet end-users);
  
- *EdgeAIoT Services (under the brand of Lingjing Cloud)*: we enhance Internet of Things, i.e. network of interrelated objects/devices, with AI technology and our edge computing technology to establish a “Cloud-Edge-Device” structure for providing a more efficient solution and better customer experience to our clients as distinguished from the traditional Internet of Things. In particular, the “Cloud-Edge-Device” structure represents the integration of our cloud platform, edge nodes network, edge computing hosts, AI algorithm model collections and terminal devices. Data is collected from the terminal devices for processing in the edge computing hosts by us or by our clients based on a selected AI algorithm model, the analysis results generated thereof are subsequently uploaded to the cloud for our clients as well as for the enhancement of the AI algorithm model. The application of AI technology in Internet of Things enables autonomous learning and iteration of the AI algorithm models in continuously enhancing its application accuracy. Our clients may customise AI algorithm models based on their actual business needs, for example the edge computing hosts under EdgeAIoT Services provide real-time data processing to our clients, which identify and alert our clients, where applicable, if certain conditions occur in their workplace, typically relating to occupational safety, hygiene conditions and their employees’ behaviours. Our EdgeAIoT Services can also be applied in evaluating the conditions of roads and highways as well as identifying any defects in relation thereto for maintenance purposes. As at the Latest Practicable Date, we had entered into 16 agreements with certain companies from telecommunications, technology, security and engineering sectors with a total contract sum of RMB2.5 million, among which, RMB145,000 were recognised as revenue for the year ended 31 December 2023. The duration of the relevant contracts generally ranged from three to five years, subject to our clients’ business needs.

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The following diagram sets out the architecture of our EdgeCDN Services:



## *The computing process*

CDN components consist of (i) the original server and edge node clusters as infrastructure; and (ii) intelligent dispatch system and flow/control management and intelligent scheduling system which perform the computing process.

**The original server and edge node clusters as infrastructure:** We source from suppliers and deploy server clusters in a large number of locations, rely on the public Internet to connect the clusters and store the popular content objects in local caches, which are computing resources used to store frequently accessed data for rapid access. All components of our CDN network work seamlessly together. Content providers upload content to their own servers, which are connected directly to our network. Upon request from the users, we distribute the content to one or more mass storage server clusters which feed hundreds of specially configured servers at each content delivery location nationally. The content is delivered directly to users through our networks.

**Intelligent dispatch system and flow/control management and intelligent scheduling system which perform computing process:** Intelligent dispatch system such as optimisation algorithms is employed in an effort to effectively manage and allocate these relatively scarce resources. For example, our computing processes (i) monitor the bandwidth flow of the edge nodes and automatically adjust the volume in order to avoid traffic jam, (ii) monitor the downloading

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speed in edge nodes and automatically adjust the available bandwidth volume, (iii) survey and record the actual bandwidth flow of the edge nodes and automatically devise flow allocation plan, (iv) delete the data stored in cache per the written rules and free up space for cache of new files, and (v) slice the users' request of content in order to reduce the flow pressure of certain popular content. Our flow/control management and intelligent scheduling system is an indispensable part of our EdgeCDN Services which performs computing process based on the edge computing infrastructure. During the computing process, publicly available data such as movies on online video platforms are the primary subject of the cache computing process and flow/control management and scheduling processes, which are controlled by our Group rather than by our client. Our clients' business data or end-users' personal data are not processed in our system.

### *Case study*

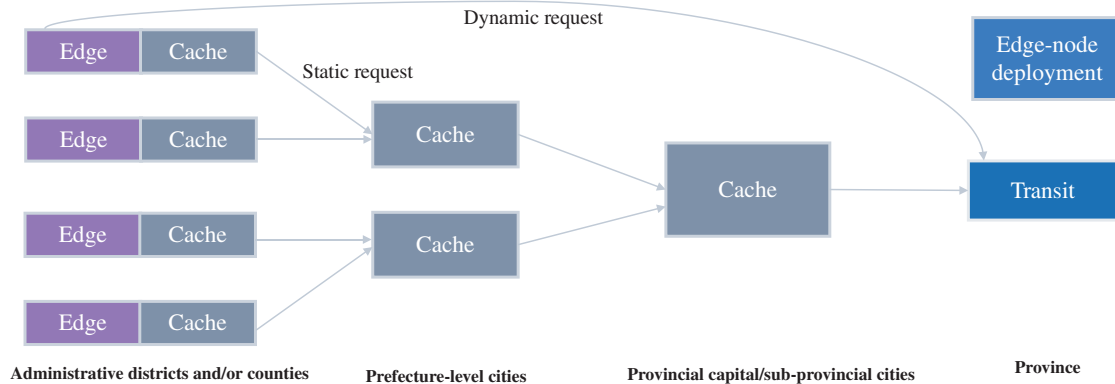
*Background.* Our client operates one of the largest video-on-demand over-the-top streaming platforms. With the highly competitive nature of the client's industry, our client looked for a content delivery network of (i) low-latency, low-lagging and high-speed downloading content delivery services; (ii) accurate edge node deployment; and (iii) low Back-to-source and high cache hit rates, which reduce the time required for information to be delivered to users so as to outperform its competitors and respond to any trend movement promptly.

The following table sets out the maximum point of Back-to-source rate and the minimum point of cache hit rate under our Edge Computing Services for certain months during the Track Record Period:

For the year ended 31 December					
2021		2022		2023	
Back-to source rate	Cache hit rate	Back-to source rate	Cache hit rate	Back-to source rate	Cache hit rate
—	—	7%	93%	4%	96%

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*Solution.* Our *Lingjing Cloud's* module provided a comprehensive solution to our clients for the above need. With our self-developed edge DNS, edge-node deployment system and multi-layered cache technology, we could improve the stability and utilisation rate of our edge nodes, which have sunk into lower tier county level, making their customers closer to the nodes and remarkably enhancing the connectivity speed. The following shows our multi-layered cache technology which was applied to our client's operation:



“Cache” refers to a hardware or software component that stores data so that future requests for the same data can be served faster. “Transit” refers to a network transit hub that is the source of the content or close to the source of content. “Edge node deployment” refers to the determination of the most suitable edge node for processing the requests from the particular user, allowing each of the users to efficiently request content at the edge of the Internet instead of the source of the content. An accurate deployment of edge nodes can shorten users’ time information served.

“Dynamic request” refers to the request, which is an enquiry for information from end-users, that is not served by any cache and therefore reaches directly the origin webserver. Dynamic request relates to the personal information of end-users, such as user registration, user login, user management and invoice management. In other words, all enquiries for information involving the personal data of end-users are processed as dynamic requests. In contrast, all requests that are served from a cache do not count as a dynamic request but static request, which mainly relates to publicly available data, such as short videos, long videos, web pages, game graphics and large files. Given that only dynamic requests relate to personal information and our *Lingjing Cloud* only processes static requests that relate to publicly available data, the Group does not process any personal data of end-users.

The operation of our Edge Computing Services is under the same ICP Licences as our IDC Solution Services, and its operation is limited to the geographical areas where the ICP Licences permit. In addition, our Edge Computing Services are performed on-site or adjacent to a specific data source. Our edge computing infrastructure, primarily constituting servers and specially-configured edge servers and storage servers owned, operated and deployed by us, is installed into the supplier-owned data centres and facilities, forming the edge nodes of our Edge Computing Services. Thus the location of our edge nodes define the limit of the operation of our Edge



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Computing Services. For details of the operation of our Edge Computing Services, please refer to the paragraph headed “— Our Business Models — The value chain, flow and business models of our Edge Computing Services” of this section.

### *Operating data*

#### *Number of clients and average revenue per client*

The following table sets out number of our clients who engaged us for our Edge Computing Services for the years indicated:

	For the year ended 31 December		
	2021	2022	2023
Number of clients <sup>(Note)</sup>	N/A	2	16

*Note:* Each of the clients of our Edge Computing Services signed an annual master agreement with our Group and thus the number of clients was the same as the number of active contracts.

	For the year ended 31 December	
	2022	2023
	RMB'000	RMB'000
Total revenue from Edge Computing Services	5,202	18,064
Average revenue per client	2,601	1,129

#### *New clients and repeating clients*

The following table sets out number of our new clients and repeating clients who engaged us for our Edge Computing Services and the respective revenue and gross profit margin attributable to them for the years indicated:

	For the year ended 31 December					
	2022			2023		
	Number of contracts	Revenue	Gross profit margin	Number of contracts	Revenue	Gross profit margin
	RMB'000	(%)		RMB'000	(%)	
New clients <sup>(Note)</sup>	2	5,202	18.4	11	2,633	20.3
Repeating clients	—	—	—	5	15,431	20.3

*Note:* New clients refer to the clients which did not have any transaction with our Group in the past five years.

Our Edge Computing Services were launched and started to realise revenue in 2022. The gross profit margin of our Edge Computing Services is generally higher than that of our IDC Solution Services.

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### *Overlapping clients between our IDC Solution Services and Edge Computing Services*

The following table sets out the number of overlapping clients between our IDC Solution Services and Edge Computing Services and their contribution to revenue as compared with the non-overlapping ones:

	For the year ended 31 December					
	2021		2022		2023	
	Number of client	Contribution to revenue RMB'000	Number of client	Contribution to revenue RMB'000	Number of client	Contribution to revenue RMB'000
Overlapping	—	—	2	212,493	4	161,891
Non-overlapping	36	437,232	33	331,371	59	529,925
<b>Total</b>	<b>36</b>	<b>437,232</b>	<b>35</b>	<b>543,864</b>	<b>63</b>	<b>691,816</b>

### *Number, location and bandwidth usage of the edge nodes established by our Group*

The following table sets out the breakdowns of number, location and bandwidth usage of the edge nodes under the Edge Computing Services established by our Group for the year/period indicated:

Provinces/the direct-administered municipality	Locations of data centres	For the year ended 31 December						For the two months ended 29 February 2024	
		2021		2022		2023		Number of edge nodes <sup>(1)</sup>	Approximate bandwidth usage (in Gbps)
		Number of edge nodes	Approximate bandwidth usage (in Gbps)	Number of edge nodes	Approximate bandwidth usage (in Gbps)	Number of edge nodes <sup>(1)</sup>	Approximate bandwidth usage (in Gbps)	Number of edge nodes <sup>(1)</sup>	Approximate bandwidth usage (in Gbps)
Beijing	Miyun (密雲)	—	—	1	166	—	—	—	—
Shandong	Weifang (濰坊)	—	—	4	660.5 <sup>(2)</sup>	4	70.0 <sup>(2)</sup>	—	—
	Weihai (威海)	—	—	2	6	5	249.0	4	40.0
	Zibo (濰博)	—	—	—	—	2	65.0	—	—
	Dongying (東營)	—	—	—	—	2	90.0	1	10.0
	Qingdao (青島)	—	—	—	—	7	714.9	—	—
	Linyi (臨沂)	—	—	—	—	1	10.0	—	—
	Rizhao (日照)	—	—	—	—	2	117.0	1	18.0
	Jining (濟寧)	—	—	—	—	1	41.2	—	—
	Dezhou (德州)	—	—	—	—	1	20.0	1	10.0
Anhui	Ma'anshan (馬鞍山)	—	—	—	—	2	178.0	1	72.0
Jiangsu	Wuxi (無錫)	—	—	—	—	1	480.0	1	80.0
Inner Mongolia	Hohhot (呼和浩特)	—	—	—	—	2	859.5	1	414.1
Hebei	Hengshui (衡水)	—	—	—	—	1	150.0	1	50.0
Qinghai	Haidong (海東)	—	—	—	—	1	120.5	—	—
Shanghai	Shanghai (上海)	—	—	—	—	1	9.2	—	—
Zhejiang	Taizhou (台州)	—	—	—	—	1	129.3	1	157.3
	Lishui (麗水)	—	—	—	—	—	—	1	33.6
Hunan	Changsha (長沙)	—	—	—	—	—	—	1	6.4
Shanxi	Taiyuan (太原)	—	—	—	—	1	153.5	1	40.0
Hubei	Wuhan (武漢)	—	—	—	—	1	32.2	1	46.9
Fujian	Quanzhou (泉州)	—	—	—	—	—	—	1	1.7
Guangdong	Dongguan (東莞)	—	—	—	—	—	—	1	27.4
	Zhaoqing (肇慶)	—	—	—	—	—	—	2	66.5
Jiangxi	Nanchang (南昌)	—	—	—	—	—	—	1	6.0
<b>Total</b>		<b>—</b>	<b>—</b>	<b>7</b>	<b>832.5</b>	<b>36</b>	<b>3,489.3</b>	<b>21</b>	<b>1,079.7</b>

## BUSINESS

*Notes:*

- (1) The locations of the Group's edge nodes are mainly determined by its clients' demands. Therefore, subject to the geographical needs of the Group's clients, the Group may further deploy edge nodes, relocate or remove existing edge nodes in a region from time to time. For example, for the year ended 31 December 2022, the Group deployed an edge node in Miyun, which recorded a bandwidth usage of approximately 166 Gbps, to cater for its client's demand in an individual business project. After the completion of such business project, the edge nodes in Miyun was then terminated.
- (2) The significant amount of bandwidth usage recorded by the data centres in Weifang for the year ended 31 December 2022 was mainly contributed by the Edge Computing Services provided to Client J with the BMS offered by the Supplier A Weifang branch on a free trial basis. As the trial period has ended by the end of 2022, the bandwidth usage decreased accordingly in the year ended 31 December 2023.

During the Track Record Period, our Group deployed more edge nodes and edge servers in Shandong Province as our newly established and experimental edge computing infrastructure, which is designated to be applicable to different regions in the PRC. The bandwidth usage of our Edge Computing Services was relatively higher in Qingdao and Hohhot where we cross-sold our Edge Computing Services to our existing IDC Solution Services clients. The locations of our edge nodes are mainly determined by our clients' demand and adjusted by taking into account a number of other factors, such as (i) the geographical distribution of our IDC Solution Services as it would be more cost-effective to utilise our internal resources and leverage our existing customer network to promote our Edge Computing Services especially in areas where we have established a solid client base, such as Shandong and Inner Mongolia; and (ii) the limited resources to develop edge computing infrastructure, resulting in the concentration of our investment in core locations of our IDC Solution Services as pilot provinces before our proposed expansion into other geographical regions according to our implementation plans with the net proceeds received from the Global Offering. On the other hand, the presence or availability of optic fibre/high-speed connections is not a major factor we take into account when determining the locations of our edge nodes because the distance from the content to the users plays a more dominant role than the speed of data transmission.

The resources required for the establishment of edge nodes include cabinets, servers, specifically-configured edge servers, storage servers and softwares owned and deployed by us, installed into the supplier-owned data centres and facilities.

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During the Track Record Period, we have established edge servers in certain prefecture-level cities and administrative districts and counties in the PRC. The following table sets out the locations of such servers and the latency reduction with our Edge Computing Services in the following regions as at the Latest Practicable Date:

Provinces	Cities	County-level cities	Latency without Edge Computing Services (in second)	Latency with Edge Computing Services (in second)	
Shandong	Qingdao (青島)	Laixi (萊西)	0.382	0.193	
		Hongdao (紅島)	1.883	0.437	
	Weihai (威海)	Huancui (環翠) — Economic and Technological Development Area (經濟技術開發區)	0.333	0.089	
		Weifang (濰坊)	Binhai (濱海)	0.279	0.145
		Dongying (東營)	Dongcheng (東城)	0.234	0.161
	Rizhao (日照)	Wulian (五蓮)	0.499	0.141	
	Inner Mongolia	Hohhot (呼和浩特)	Horinger County (和林格爾縣)	0.371	0.287
Hebei	Shijiazhuang (石家莊)	—	0.510	0.259	
Shanxi	Taiyuan (太原)	Xiaodian (小店)	0.578	0.079	
Jiangsu	Wuxi (無錫)	Xinwu (新吳)	0.129	0.098	
		Xuzhou (徐州)	Yunlong (雲龍)	0.386	0.209
Anhui	Ma'anshan (馬鞍山)	He Country (和縣)	0.465	0.378	
		Chuzhou (滁州)	Langya (琅琊)	0.530	0.187
Hubei	Wuhan (武漢)	Jiangxia (江夏)	0.617	0.195	
		Jianghan (江漢)	0.458	0.199	
Qinghai	Haidong (海東)	Pingan (平安)	0.511	0.398	
Shanghai	Ningqiao (寧橋)	—	0.184	0.127	
Zhejiang	Taizhou (台州)	Jiaojiang (椒江)	0.516	0.153	
		Lishui (麗水)	—	0.251	0.191
Guangdong	Dongguan (東莞)	Liaobu (寮步)	0.621	0.199	
Guangxi	Nanning (南寧)	Gaoxin (高新)	0.543	0.393	
Chongqing	Xiyong (西永)	—	1.887	0.395	
Gansu	Lanzhou (蘭州)	—	1.890	0.288	
Hunan	Changsha (長沙)	—	0.521	0.319	
Jiangxi	Nanchang (南昌)	—	0.355	0.078	

### *Arrangement to develop Edge Computing Services*

Riding on the policy of “channeling computing resources from the eastern areas to the western regions (東數西算)” and the development of metaverse which is currently at a conceptual stage, in the PRC, as at the Latest Practicable Date, we had entered into the Cooperation Framework Agreement on the Development of Metaverse and Industrial Digitalisation (推進元宇宙+行業數字化建設合作框架協議) with the Qinghai branch of Supplier A (the “**Qinghai Branch**”) and a Internet digital content service provider wholly owned by Supplier A, pursuant to which the parties will commence the cooperation as to the development of 5G innovation application, cloud-network integration application, smart voice service, the concept of metaverse and industrial application (the “**Edge Computing Cooperation**”).

Against this backdrop, the operation of the Edge Computing Cooperation requires the use of AI computing equipment and Edge Computing Services. Our Group, the Qinghai Branch and an Independent Third Party (the “**Edge Computing Cooperation Partner**”) had a series of arrangements whereby (i) our Group (a) purchased AI computing equipment from the Edge Computing Cooperation Partner, which had the channel to source such equipment, and in turn leased it back to the Edge Computing Cooperation Partner; and (b) provided Edge Computing Services to the Edge Computing Cooperation Partner; (ii) the Edge Computing Cooperation Partner would lease the AI computing equipment and provide setup services and maintenance services of the AI computing equipment to the Qinghai Branch; and (iii) the Qinghai Branch supported the Edge Computing Cooperation with its own IDC infrastructure.

The parties of the Edge Computing Cooperation are in the preparation stage of the project. It is expected that the trial testing of the Edge Computing Cooperation would commence by the third quarter of 2024. As at the Latest Practicable Date, we have not generated any operating income under this cooperation.

### **ICT Services and Other Services**

#### *Custom-fit ICT Services*

Our custom-fit ICT services include providing information communications technology solution to our clients, on a project basis, system development and maintenance, consultation services and provision of cloud computing hardware resources. We usually provide our ICT Services and Other Services to our existing clients or other clients. The nature of operation is usually project-based, per clients’ enquiries and request. During the Track Record Period, examples of our ICT services included:

- resolving technical difficulties in relation to the establishment of a smart agricultural system;
- providing necessary hardware resources in support of our client’s development of edge cloud computing system; and
- providing technical consultation and solutions to a platform constructing and promoting the automated guided vehicular system.

### *Other Services*

We also provide short message service, phone plan recharge service and WeChat corporate mini-application development service to our enterprise clients.

- *Short Message Service.* We provide our corporate clients with verification, marketing, and business text messaging services to be sent to their clients or target audience.
- *Phone Plan Recharge Service.* Our system enables our clients' clients to recharge their phone plans with our clients' recharge and settlement platform.
- *WeChat Corporate Mini-application Development Service.* With our established relationship with Supplier A, we explore with them the development of mini-application on the WeChat platform. Our Group and Supplier A entered into the mini-application cloud product framework agreement (the "**Mini-App Framework Agreement**") in April 2021 for a term of two years. Under the Mini-App Framework Agreement, upon the receipt of the order from Supplier A, we have to finish the development of the mini-application ready for online operation within 14 days. The types of mini-application mainly include the functionality of order management, product management, logistics payment management, membership development, sales management and customer service management for various industries.

During the Track Record Period, our Group (i) sourced data centre resources from Supplier A; and (ii) cooperated with Supplier A in the areas such as IDC resources, traffic payment (流量統付), group MMS (集團短彩信), dedicated internet (語音專線), video conferencing and other information system applications, pursuant to a strategic framework cooperation agreement. We are of the view that this is a deriving business resulting from the continuous development of our business relationship with Supplier A regarding our IDC Solution Services.

It is common market practice for state-owned telecommunication carriers to procure ICT services from independent parties which have the relevant and reliable expertise. Accordingly, Supplier A is both our client and our supplier. For details of our overlapping clients and suppliers, please refer to the paragraph headed "— Our Suppliers — Overlapping of clients and suppliers" of this section.

For the years ended 31 December 2021, 2022 and 2023, our revenue from ICT Services and Other Services were approximately RMB27.0 million, RMB4.9 million and RMB4.1 million, respectively.

## BUSINESS

### *Operating data*

#### *Number of clients and average revenue per client*

The following table sets out number of our clients who engaged us for our ICT Services and Other Services for the years indicated:

	For the year ended 31 December		
	2021	2022	2023
Number of clients:			
— New clients <sup>(Note)</sup>	7	4	21
— Repeating clients	14	4	4
<b>Total clients</b>	<b>21</b>	<b>8</b>	<b>25</b>

*Note:* New clients refer to the clients which did not have any transaction with our Group in the past five years.

	For the year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Total revenue from ICT Services and Other			
Services	27,044	4,889	4,133
Average revenue per client	1,288	611	165

Our Directors confirm that during the Track Record Period, none of our Group's contracts in any of our Group's operating segments were loss-making.

### **OUR CLIENTS**

Our clients primarily consist of top-notch cloud computing service providers, Internet companies and blue-chip listed companies in the PRC. During the Track Record Period, we had a relatively low non-renewal rate of the colocation and infrastructure management agreements upon expiry. The average annual churn rates are defined as the ratio of annual service revenue from agreements which terminated or expired without renewal during the year to the total annual service revenue for the preceding year. The average annual churn rates of the Group were 2.7%, 3.9% and 3.2% for the years ended 31 December 2021, 2022 and 2023 respectively. Our client recognition and service quality can be evidenced by such a low churn rate and long-lasting relationship with them.



## BUSINESS

During the Track Record Period, our revenue increased from RMB464.3 million for the year ended 31 December 2021 to RMB548.8 million for the year ended 31 December 2022, representing an increase of 18.2% and further increased to RMB695.9 million for the year ended 31 December 2023, representing an increase of 26.8%. Our revenue generated from our largest client for the years ended 31 December 2021, 2022 and 2023 accounted for 28.7%, 20.5% and 20.9%, respectively, of our revenue during those years. Moreover, our revenue generated from our five largest clients accounted for 74.6%, 77.5% and 67.3%, respectively, of our revenue during the same years. During the Track Record Period, our clients generally settled their payments through bank transfer.

The following table shows the details of our five largest clients during the Track Record Period:

For the year ended 31 December 2021:

Rank	Name of client <sup>(9)</sup>	Background and principal business	Type of services provided	The year in which the client first started to have business relationship with our Group	Approximate total amount of revenue (RMB'000)	% of revenue	Credit terms
1	Client B <sup>(2)</sup>	Provision of Internet technology services	IDC Solution Services	2018	133,409	28.7%	To be paid and settled quarterly within 30 days after issue of quarterly invoice
2	Client H <sup>(4)</sup>	Provision of cloud computing and Artificial Intelligence technology services	IDC Solution Services	2020	77,640	16.7%	Within 30 Business Days after issue of invoice
3	Client F <sup>(3)</sup>	Provision of Internet technology services	IDC Solution Services	2019	56,859	12.2%	Within 60 days after issue of invoice
4	Client I <sup>(5)</sup>	Provision of software technology services	IDC Solution Services	2020	43,369	9.3%	Within 30 days after issue of invoice
5	Client A <sup>(1)</sup>	Provision of Internet technology services	IDC Solution Services	2018	35,776	7.7%	Within 15 days after the end of settlement cycle
Total					347,053	74.6%	

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For the year ended 31 December 2022:

Rank	Name of client <sup>(9)</sup>	Background and principal business	Type of services provided	The year in which the client first started to have business relationship with our Group	Approximate total amount of revenue (RMB'000)	% of revenue	Credit term
1	Client B <sup>(2)</sup>	Provision of Internet technology services	IDC Solution Services and Edge Computing Services	2018	112,615	20.5%	To be paid and settled quarterly within 30 days after issue of quarterly invoice
2	Client J <sup>(6)</sup>	Provision of Internet technology services	IDC Solution Services and Edge Computing Services	2021	99,881	18.2%	Within 30 days after issue of invoice
3	Client K <sup>(7)</sup>	Provision of cloud computing services	IDC Solution Services	2021	82,347	15.0%	Within 60 days after the client's receipt of payment from their customers
4	Client I <sup>(5)</sup>	Provision of software services	IDC Solution Services	2020	71,243	13.0%	Within 30 days after issue of invoice
5	Client H <sup>(4)</sup>	Provision of cloud computing and Artificial Intelligence technology services	IDC Solution Services	2020	59,306	10.8%	Within 30 Business Days after issue of invoice
Total					425,392	77.5%	

For the year ended 31 December 2023:

Rank	Name of client <sup>(9)</sup>	Background and principal business	Type of services provided	The year in which the client first started to have business relationship with our Group	Approximate total amount of revenue (RMB'000)	% of revenue	Credit term
1	Client J <sup>(6)</sup>	Provision of Internet technology services	IDC Solution Services	2021	145,722	20.9%	Within 28 days after issue of invoice
2	Client B <sup>(2)</sup>	Provision of Internet technology services	IDC Solution Services and Edge Computing Services	2018	108,431	15.6%	To be paid and settled quarterly within 30 days after issue of quarterly invoice
3	Client K <sup>(7)</sup>	Provision of cloud computing services	IDC Solution Services, ICT Services and Other Services	2021	107,414	15.4%	Within 60 days after the client's receipt of payment from their customers
4	Client L <sup>(8)</sup>	Provision of information technology consulting services	IDC Solution Services	2023	58,943	8.5%	Within 60 days after the month of provision of service
5	Client I <sup>(5)</sup>	Provision of software services	IDC Solution Services and Edge Computing Services	2020	48,114	6.9%	Within 30 days after issue of invoice
Total					468,624	67.3%	

## BUSINESS

*Notes:*

- (1) Client A is a subsidiary of a variable interest entity of one of the large-scale software and internet services companies based in Beijing, the PRC and listed on the Stock Exchange, recording revenue for the year ended 31 December 2023 of approximately RMB7.0 billion with a market capitalisation of approximately HK\$5.9 billion as at the Latest Practicable Date. Revenue generated by Client A for the three years ended 31 December 2023 were approximately RMB35.8 million, RMB8.4 million and RMB21.4 million, respectively. We became acquainted with Client A through our active business solicitation.
- (2) Client B is a variable interest entity of an Internet company with a strong Internet foundation, based in Beijing, the PRC and listed on the Stock Exchange, recording revenue for the year ended 31 December 2023 of approximately RMB134.6 billion with a market capitalisation of approximately HK\$274.5 billion as at the Latest Practicable Date. Revenue generated by Client B for the three years ended 31 December 2023 were approximately RMB133.4 million, RMB112.6 million and RMB108.4 million, respectively. We became acquainted with Client B through personal business connection of one of our executive Directors.
- (3) Client F is a subsidiary of a multinational Internet technology private company based in Beijing, the PRC. Revenue generated by Client F for the three years ended 31 December 2023 were approximately RMB56.9 million, RMB25.5 million and RMB25.0 million, respectively. We became acquainted with Client F through referrals by another client.
- (4) Client H is a cloud computing company in the PRC and a variable interest entity of one of the largest retail e-commerce business operators in the world, based in Zhejiang Province, the PRC and listed on the Stock Exchange, recording revenue for the year ended 31 December 2023 of approximately RMB868.7 billion. Revenue generated by Client H for the three years ended 31 December 2023 were approximately RMB77.6 million, RMB59.3 million and RMB45.5 million, respectively. We became acquainted with Client H through our active business solicitation.
- (5) Client I is a subsidiary of a multinational technology corporation based in Jiangsu Province, the PRC with a registered capital of RMB500 million. We became acquainted with Client I through tender bid.
- (6) Client J is a controlled structured entity of one of the leading providers of Internet services and mobile value-added services based in Shenzhen, the PRC and listed on the Stock Exchange, recording revenue for the year ended 31 December 2023 of approximately RMB609.0 billion with a market capitalisation of approximately HK\$3.5 trillion as at the Latest Practicable Date. Revenue generated by Client J for the three years ended 31 December 2023 were approximately RMB3.0 million, RMB99.9 million and RMB145.7 million, respectively. We became acquainted with Client J through tender bid.
- (7) Client K is one of the leading cloud computing service providers in Shanghai, the PRC, which is based in the PRC with a registered share capital of RMB1.1 billion. We became acquainted with Client K through referrals by mutual friend. Client K was one of our Group's core clients during the Track Record Period. In 2023, Client K experienced a remarkable business growth, where our Group was able to meet their demand for increased bandwidth usage.
- (8) Client L is a subsidiary of one of the largest state-owned automobile manufacturer based in Shanghai, the PRC and listed on the Shanghai Stock Exchange, recording revenue for the year ended 31 December 2023 of approximately RMB744.7 billion with a market capitalisation of approximately RMB166.5 billion as at the Latest Practicable Date. Revenue generated by Client L for the three years ended 31 December 2023 were nil, nil and approximately RMB58.9 million, respectively. We became acquainted with Client L through personal business connection of one of our executive Directors.
- (9) Our Group was legally advised that there is a risk that, the disclosure of the identities and relevant information of our five largest clients may entail an actionable breach of confidence, depending on the relevant factual circumstances. Therefore, our five largest clients' identities and relevant information during the Track Record Period were not disclosed.

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The revenue generated from Client A dropped significantly from RMB35.8 million for the year ended 31 December 2021 to RMB8.4 million for the year ended 31 December 2022, primarily attributable to Client A's business adjustment and cost optimisation after its listing, which resulted in a mismatch between Client A's expectation of lower price of data centre resources from us and our strategy to focus on our major clients who could generate sizeable and profitable businesses to us. This prompted us to reduce the size of our cooperation with Client A on our own initiative and shift our resources to other major and more profitable clients. Our Directors are of the view that such demand from Client A was a result of its own consideration of business plan in light of its recent listing status. Our Directors believe that this example is a one-off incident that was closely related to Client A's special business consideration, hence, the circumstance with Client A cannot be generally applicable to all the other major clients.

To the best knowledge and belief of our Directors after making all reasonable enquiries, all of our five largest clients and their respective beneficial owners during the Track Record Period are Independent Third Parties. As at the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned or to the knowledge of Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest clients.

### **Colocation and infrastructure management service agreement**

#### ***Term***

The colocation and infrastructure management service agreements with our top-notch cloud computing service provider and internet company clients usually have service periods ranging from nine months to three years. For some agreements with a shorter term, there is an option of automatic contract renewal for another one year upon confirmation of both parties or they will be terminated otherwise. If the parties elect to renew the term, there is generally no restriction on how many times the agreements can be renewed.

#### ***Pricing***

In most of our colocation and infrastructure management agreements, our clients are generally charged per the specific number of racks, cabinets, and IP addresses they procure or use and the particular models of their bandwidth usage, expressed as a price per gigabyte at the end of each month. We levy a certain percentage of the monthly maximum bandwidth capacity, or a minimum quantity used as a minimum charge to our clients.

Subject to our clients' choice, we generally charge our clients on two pricing models for the bandwidth usage in our colocation and infrastructure management agreements. The first pricing model is based on the actual bandwidth usage. Where the actual bandwidth usage does not meet the minimum threshold, the client will be charged at the minimum threshold. Where the actual bandwidth usage exceeds the minimum threshold, we will adopt the 95<sup>th</sup> percentile bandwidth metering for measuring our clients' bandwidth usage. We first use a simple network management protocol (SNMP) to capture the data every five minutes at the beginning of each month in order to

collect bandwidth utilisation samples over a period of time. Then, we sort the values from highest to lowest and remove the top 5% of values. The remaining highest value is the 95<sup>th</sup> percentile value on which the 95<sup>th</sup> Percentile Bandwidth Charging Model is based.

The second pricing model, the Packet Port Charging Model, is based on the number of packet ports used and the fixed price per packet port.

The 95<sup>th</sup> Percentile Bandwidth Charging Model is more popular with our clients although its per-gigabyte cost is higher than the other charging model because it allows us to charge only as they use, leaving them zero idle bandwidth capacity which will increase operating cost.

In addition to bandwidth usage, our Group charges our clients by the number of server racks, cabinets and IP addresses procured and used by them under the colocation and infrastructure management service agreement. There is a generally positive but not necessary correlation between cabinet usages and bandwidth usages. Generally when clients procure our IDC Solution Services, they usually procure in a package bundling bandwidth capacity, cabinets and IP addresses for their business needs. Thus, the more bandwidth is to be used, more cabinets and IP addresses would tend to be needed. However, clients may occasionally procure each of the bandwidth capacity, cabinets and IP addresses from us separately in light of their business needs. Our Group will charge the relevant fees according to the procurement cost from our suppliers.

### ***Our guaranteed performance***

We usually guarantee our client 99.99% uptime for power and 99.90% uptime for Internet connectivity.

### ***Termination***

Generally, either party is allowed to early terminate the agreement subject to a notice period of 30 days. Otherwise, the non-complying party is obliged to pay a specific amount as penalties. If the early terminating party is our client, (i) they shall notify us 30 days in advance, or else a penalty may be imposed; (ii) they have to pay a reasonable fee in accordance with our service already provided; and (iii) on certain occasions, a client may also have to pay a certain percentage of the fee of the unrendered services, given early termination is deemed as a breach of such agreement by such client.

Clients may also terminate the colocation and infrastructure management agreement if we fail to perform the contracted services or are in material breach of the provisions of the agreements provided we fail to rectify any service failure or breach within a stipulated period of time.

We had a very low non-renewal rate of the colocation and infrastructure management agreements, as evidenced by our average annual churn rate of 2.7%, 3.9% and 3.2% for the years ended 31 December 2021, 2022 and 2023, respectively.

### ***Billing and payment***

We generally bill our clients in arrears. After the bandwidth usage data sample has been collected, if the discrepancy between the sample collected by us and our clients is less than a certain percentage, we will charge our clients according to their metering results. If the discrepancy is above a certain designated percentage, both parties shall share the details of the bandwidth usage data collected, start the reconciliation process, and arrive at a mutually agreed result, confirmed by both parties. During the Track Record Period and up to the Latest Practicable Date, there have been no claims from our clients for discrepancies in billing to our clients.

During the Track Record Period and up to the Latest Practicable Date, to the best of our Directors' knowledge and belief, we have not experienced any material breach of the colocation and infrastructure management service agreement by our clients.

### **Edge computing service agreement**

#### ***Terms***

The edge computing service agreements usually have a service period of one year.

#### ***Contract renewal***

Subject to the renewal clauses on a case-by-case basis, upon the expiry of the edge computing service agreements, some agreements will be renewed automatically if both parties have no objections or renewed upon written confirmations by both parties, whereas further negotiations with our clients are required for contract renewal in other cases.

#### ***Pricing***

Our clients are generally charged per the bandwidth usage, expressed as a price per gigabyte at the end of each month. We will adopt the 95<sup>th</sup> percentile bandwidth metering for measuring our clients' bandwidth usage. For details of the 95<sup>th</sup> percentile bandwidth metering, please refer to the paragraph headed “— Our Clients — Colocation and infrastructure management service agreement” of this section.

***Termination***

Generally, either party is allowed to early terminate the agreement subject to a notice period of one month. Both parties have to settle the amount payable per the actual amount of bandwidth usage.

***Bill and payment***

We generally bill our clients in arrears. After the bandwidth usage data sample has been collected, if the discrepancy between the sample collected by us and our clients is less than a certain percentage, we will charge our clients according to their metering results. If the discrepancy is above a certain designated percentage, both parties shall share the details of the bandwidth usage data collected, start the reconciliation process, and arrive at a mutually agreed result, confirmed by both parties. During the Track Record Period and up to the Latest Practicable Date, there have been no claims from our clients for discrepancies in billing to our clients.

During the Track Record Period and up to the Latest Practicable Date, to the best of our Directors' knowledge and belief, we have not experienced any material breach of the edge computing service agreement by our clients.

**OUR SUPPLIERS**

Our major suppliers are state-owned telecommunication carriers and small-and-medium data centre owners and operators in the PRC. For each year during the Track Record Period, charges from our largest supplier accounted for 66.6%, 55.2% and 29.2%, respectively, of our cost of sales during those years. Our largest supplier for the Track Record Period was Supplier A, which supplied us data centre resources including mainly bandwidth and cabinets. For each year during the Track Record Period, charges from our five largest suppliers accounted for 89.2%, 92.1% and 62.7%, respectively, of our cost of sales during the same years. During the Track Record Period, we generally settled our payments to our suppliers by bank transfer. During the Track Record Period, there were 106 suppliers of our Group.



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The following table shows the details of our five largest suppliers during the Track Record Period:

For the year ended 31 December 2021:

Rank	Name of supplier <sup>(10)</sup>	Background and principal business	Products or services purchased by our Group	The year in which the supplier first start to have business relationship with our Group	Approximate amount of cost recognised (RMB'000)	% of total cost of sales	Credit terms
1	Supplier A <sup>(1)</sup>	State-owned telecommunication operation	IDC resources	2016	271,582	66.6%	Within 90 Business Days after issue of invoice
2	Supplier I <sup>(2)</sup>	Provision of basic solution services for internet application and one-stop cloud acceleration services	IDC resources	2021	44,066	10.8%	Within 10 days after the end of the settlement cycle
3	Supplier J <sup>(3)</sup>	Provision of construction solution services for intelligent system	IDC resources	2021	18,679	4.6%	Upon the issue of invoice
4	Supplier K <sup>(4)</sup>	Internet-related business operation	IDC resources	2021	17,655	4.3%	Within 10 days after the end of settlement cycle
5	Supplier L <sup>(5)</sup>	State-owned telecommunication operation	IDC resources and ICT services	2016	11,762	2.9%	Within 15 days after the end of settlement cycle
Total					363,744	89.2%	

For the year ended 31 December 2022:

Rank	Name of supplier <sup>(10)</sup>	Background and principal business	Products or services purchased by our Group	The year in which the supplier first start to have business relationship with our Group	Approximate amount of cost recognised (RMB'000)	% of total cost of sales	Credit terms
1	Supplier A <sup>(1)</sup>	State-owned telecommunication operation	IDC resources	2016	264,877	55.2%	Within 90 Business Days after issue of invoice
2	Supplier M <sup>(6)</sup>	Internet-related business operation	IDC resources	2022	81,525	17.0%	Within 3 days after confirmation of fees
3	Supplier K <sup>(4)</sup>	Internet-related business operation	IDC resources	2021	34,909	7.3%	Within 10 days after the end of settlement cycle
4	Supplier N <sup>(7)</sup>	Provision of IDC services	IDC resources	2021	34,295	7.1%	Within three calendar months after using resources
5	Supplier L <sup>(5)</sup>	State-owned telecommunication operation	IDC resources	2016	26,590	5.5%	Within 90 days after issue of invoice
Total					442,196	92.1%	

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For the year ended 31 December 2023:

Rank	Name of supplier <sup>(10)</sup>	Background and principal business	Products or services purchased by our Group	The year in which the supplier first start to have business relationship with our Group	Approximate amount of cost recognised	% of total cost of sales	Credit terms
					(RMB'000)		
1	Supplier A <sup>(1)</sup>	State-owned telecommunication operation	IDC resources	2016	177,637	29.2%	Within 90 Business Days after issue of invoice
2	Supplier J <sup>(3)</sup>	Provision of construction solution services for intelligent system	IDC resources	2021	86,241	14.2%	Within 120 Business Days after issue of invoice
3	Supplier O <sup>(8)</sup>	Provision of telecommunications service	IDC Solution Services	2023	41,184	6.8%	Within 90 Business Days after issue of invoice
4	Supplier Q <sup>(9)</sup>	Provision of software and hardware technology	IDC Solution Services	2023	41,147	6.8%	Subject to negotiation between the parties
5	Supplier N <sup>(7)</sup>	Provision of IDC services	IDC resources	2021	34,426	5.7%	Within three calendar months after using resources
Total					380,635	62.7%	

*Notes:*

- (1) Supplier A is a state-owned telecommunication operator and a leading ICT services provider based in Beijing, the PRC which provides communications and information services in all 31 provinces, autonomous regions and directly-administered municipalities throughout the PRC and Hong Kong. Supplier A is listed on the Stock Exchange and had a market capitalisation of approximately HK\$1.6 trillion as at the Latest Practicable Date. The cost of sales from Supplier A for the three years ended 31 December 2023 were approximately RMB271.6 million, RMB264.9 million and RMB177.6 million, respectively.
- (2) Supplier I was incorporated in 2016 and principally engages in the provision of basic solution services for internet application and one-stop cloud acceleration services which is situated in Beijing, the PRC with registered capital of RMB30 million.
- (3) Supplier J was incorporated in 2001 and principally engages in the provision of construction solution services for intelligent system which is situated in Jiangsu Province, the PRC with registered capital of RMB41.0 million. It is listed on the National Equities Exchange and Quotations Co., Ltd. (全國中小企業股份轉讓系統).
- (4) Supplier K was incorporated in 2020 and principally engages in the provision of CDN services which is situated in Beijing, the PRC with registered capital of RMB10 million.
- (5) Supplier L is a state-owned telecommunication operator and a leading ICT services provider based in Beijing, the PRC which provides communications and information services in the PRC and Hong Kong. Supplier L is listed on the Stock Exchange and had a market capitalisation of approximately HK\$193.4 billion as at the Latest Practicable Date.
- (6) Supplier M was incorporated in 2018 and principally engaged in the provision of CDN services which is situated in Fujian Province, the PRC with registered capital of RMB5 million.

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- (7) Supplier N was incorporated in 2016 and principally engaged in the provision of IDC solution services which is situated in Shandong Province, the PRC with registered capital of RMB10 million.
- (8) Supplier O was incorporated in 2022 and principally engaged in the provision of telecommunications service which is situated in Jiangsu Province, the PRC with registered capital of RMB20 million.
- (9) Supplier Q was incorporated in 2014 and principally engaged in the provision of software and hardware technology which is situated in Shanghai, the PRC with registered capital of RMB33 million.
- (10) Our Group was legally advised that there is a risk that the disclosure of the identities and relevant information of our five largest suppliers may entail an actionable breach of confidence, depending on the relevant factual circumstances. Therefore, our five largest suppliers' identities and relevant information during the Track Record Period were not disclosed.

During the Track Record Period, our Group also sourced IDC resources from other independent regional IDC solution service providers in the event of (i) such providers were able to provide similar IDC resources to us at a lower cost in the particular regions; and (ii) a sudden surge for our IDC Solution Services from our clients, where we needed additional IDC resources for better resource management.

To the best knowledge and belief of our Directors after making all reasonable enquiries, all of our five largest suppliers are Independent Third Parties. As at the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned or to the knowledge of the Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers.

For details of sensitivity and breakeven analysis in relation to changes in costs, please refer to the paragraph headed “Financial Information — Major Factor Affecting Our Results of Operations — Company specific factors — Pricing structure” in this prospectus.

### **Relationship with our Largest Supplier — Supplier A**

Our relationship with Supplier A can be traced back to 2016, where the Internet data centre business was at a transformation stage and more advanced, integrated and energy-saving cloud services were highly demanded in the market. Although Supplier A had the leading and extensive data centre infrastructure across the PRC, data centre operation was not their main profit centre. Their IDC solution service operation and data centre resource distribution level might not be able to catch up with the vast volume of cloud service resources, leaving their bandwidth idling and unprofitable. Our emergence satisfied their need for flexible and extensive IDC solution service providers.

In 2016, our Directors noticed such opportunity and formed the platform as a bridge between bandwidth suppliers and bandwidth users. At that time, our Group's then and current client at the Track Record Period, a National High and New Tech Enterprise recognised by the Shenzhen Municipal Government intended to purchase data centre resources from Supplier A in Qingdao. It was then the first IDC service provided by the Qingdao Branch Office, which lacked the relevant experience in the management and maintenance of data centres. Such client introduced our Group

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to Qingdao Branch Office. Our cooperation with Supplier A began in Qingdao, where we sourced data centre resources from them, mainly including server rack space, power supply and bandwidth capacity, assisted them in completing relevant regulatory filing procedures and took charge of the maintenance of the data centres of the Qingdao Branch Office. It was when Supplier A strategically embarked on seizing the first-mover advantage in the relatively unexplored Internet data centre business market in the area. Our contribution to the cooperation included our experience in cloud infrastructure management services, our bandwidth selling and scheduling capacity and our liaising with downstream Internet companies. Our starting point in Qingdao laid the foundation of our lasting relationship with Supplier A. Since then, our co-development and joint exploration of data centre operation with Supplier A have extended to Jiangsu Province, Guangdong Province, Zhejiang Province, Guangxi Province, Hebei Province, Shanxi Province, Sichuan Province, Guizhou Province, Qinghai Province, Xinjiang Uygur Autonomous Region and the Inner Mongolia. Our Directors consider that, out of approximately 20–30 customers and business partners of Supplier A in the area of IDC solution services, we have become one of the most important ecosystem partners of Supplier A in terms of transaction amount in the area of data centre operation in Shandong Province and Inner Mongolia. The Group has an established customer base and good reputation in the provision of IDC Solution Services in Shandong Province and Inner Mongolia, and serves as Supplier A's ecosystem partner in distribution of bandwidth capacity to the Internet companies. It is estimated that the Group accounts for 10% to 12% of service fees paid by the ecosystem partners to Supplier A in Shandong Province and Inner Mongolia.

As China's upstream data centre resources and facilities are dominated by three state-owned telecommunication carriers and given Supplier A's leading position in the infrastructure development of 5G network in the PRC, our Directors consider that it is in the industry norm and also in the best interests of our Group to rely on one or more state-owned telecommunication carriers in the PRC for data centre resource procurement. We consider our relationship with Supplier A and other state-owned telecommunication carriers to be stable and unlikely to materially and adversely change or terminate. As confirmed by our Directors, we have not encountered any difficulties in renewing the data centre business agreement with Supplier A since 2016. Given the established and mutually complementary relationship between our Group and Supplier A, our Directors are of the view that our good relationship with Supplier A will sustain in the future.

Our Directors consider that we are not overly reliant on Supplier A for the reasons below.

### ***Ongoing plans to diversify sources and reduce concentration risk***

Despite high supplier concentration in our operation, we believe that it is highly unlikely that Supplier A will terminate our cooperation and relationship. Attempts have been made to reduce our reliance on Supplier A. During the Track Record Period, our Group also engaged other state-owned telecommunication carriers and small-and-medium data centre owners and operators for our IDC solution service operation mainly through referrals. We proactively sought quotations from them and selected our suppliers based on a variety of factors including price, reputation in the industry, track record and qualifications. As at the Latest Practicable Date, (i) we have been in negotiation with other state-owned telecommunication carriers for the provision of management and operation

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services for their cloud infrastructure, and came to the stage of assessing technical feasibility; (ii) our reliance on Supplier A was decreasing during the Track Record Period as our cost of sales derived from Supplier A dropped from 66.6% for the year ended 31 December 2021 to 55.2% for the year ended 31 December 2022 and further decreased to 29.2% for the year ended 31 December 2023 as we continued our efforts in diversifying our sources for procuring IDC resources by engaging other data centres as our supplementary suppliers; (iii) it was our Group's commercial decision not to enter into any long term contract with Supplier A to maintain flexibility with other suppliers and was also in line with Supplier A's usual practice; and (iv) the commercial terms of the contracts entered into between our Group and other suppliers were no less favourable than those in our contracts with Supplier A, including price of IDC resources, credit term and settlement method. Although we believe that having a solid relationship with Supplier A is beneficial and crucial to our business sustainability, we will steadily increase our procurement share in relation to other carriers. We expect our procurement cost to Supplier A to continue to decrease proportionally. Despite the significant decrease in procurement cost to Supplier A from the year ended 31 December 2022 to the year ended 31 December 2023, we continue to maintain a solid relationship with Supplier A and our Directors confirm that the decrease in procurement volume did not result in any material and negative impact on the pricing of IDC resources.

For the three years ended 31 December 2023, our purchase amount from Supplier L, being one of the three state-owned telecommunication carriers in the PRC with whom we have had over six years of business relationship, amounted to RMB11.8 million, RMB26.6 million and RMB17.5 million, representing 2.9%, 5.5% and 2.9% of the total cost of sales recorded in the respective years. For the same years, our purchase from Supplier P, being another state-owned telecommunication carriers in the PRC with whom we have had over six years of business relationship, amounted to RMB2.0 million, RMB8.8 million and RMB10.3 million, representing 0.5%, 1.8% and 1.7% of the total cost of sales recorded in the respective years. Compared with Supplier A, the low transaction amounts of our Group with Supplier L and Supplier P during the Track Record Period were primarily due to (i) the established foundation of cooperation and trust between our Group and Supplier A since 2016 which has led to consistent business transactions with Supplier A during the Track Record Period; and (ii) our Group's historical approach to develop our business through closely cooperating with Supplier A where our strategy is to replicate such successful experience in our future collaborations with Supplier L and Supplier P. Despite the reasons mentioned above explaining our relatively low transaction amounts with Supplier L and Supplier P during the Track Record Period, in order to reduce concentration risk, we will continue to strive for diversification of our data centre resource procurement which is in the best interests of our Group in the long run.

### ***Readily available alternatives***

The Internet data centre business market is a highly competitive and fragmented market. There are other readily available alternatives to Supplier A in the market. In the long run, it is also to our Group's benefit to provide dual-line or multiple-line network instead of single-line network in order to enhance our core competitiveness and provide a stable connection service to our clients. Based on our experience in the IDC solution service market in the PRC, we believe that there are readily

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available alternative data centre resource suppliers that could be substitutes of our existing data centre resource supplier if necessary. We do not consider our change in business operations with Supplier A will materially and adversely affect our operation.

With a view to reduce concentration risk, we have engaged other state-owned telecommunication carriers and small-and-medium data centre owners and operators for our IDC Solution Services operation. These small-and-medium data centre owners and operators mainly procure IDC resources from the state-owned telecommunication carriers. From time to time, they may be given occasional free IDC resources by regional state-owned telecommunication carriers due to the marketing strategies of the state-owned telecommunication carriers, such as expanding new clientele. In turn, they would be able to sell such IDC resources to IDC service providers on a competitive price. Our Directors confirm that as we select our suppliers mainly because of the competitive pricing and commercial terms offered by them, the intermediary role of these small-and-medium data centre owners and operators do not have any material and negative impact on our profitability.

Small-and-medium data center owners and operators often cater to specific local or regional markets, offering services to businesses within their vicinity. Their potential competition with the Group may be limited to that specific market segment. Carrier-neutral service providers such as the Group, on the other hand, typically aim to serve a broader customer base, including large-scale Internet companies and have a wider range of service offerings. The risk of disintermediation where our clients directly deal with these small-and-medium data centre owners and operators, bypassing the need for our IDC Solution Services, is relatively low on the grounds that (i) the potential competitions only occur in specific local or regional markets; (ii) we offer a collection of value-added services, such as disaster recovery solutions, network optimisation, professional consultation and infrastructure management services, which are appealing to our clients and are difficult to be replicated by these small-and-medium data centre owners and operators since they usually lack the requisite capacity or expertise to offer such extensive value-added services; and (iii) as state-owned telecommunication carriers generally prefer to cooperate with IDC service providers who could place purchase orders in bulk, these small-and-medium data centre owners and operators may be offered less favourable terms if they are to procure IDC resources from state-owned telecommunication carriers, thereby affecting their overall price competitiveness. After taking into account the above factors, our Directors consider the business relationship between the Group and these suppliers are sustainable since we have different business focuses in terms of geographical locations and service offerings.

***Supplier A and our Group are mutually complementary to each other in the area of data centre operation***

Our Group's client base is complementary to fulfilling Supplier A's marketing and sales needs. Being top-notch cloud computing service providers and internet companies in the PRC, our clients tend to be qualified by Supplier A's standard, including whether the requisite licences of the relevant operations have been obtained and whether the server or other equipment quality fulfils the required technology standard in order not to compromise the safety of the Internet, and able to

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purchase our services in bulk and timely on payment. We benefit from Supplier A's standard requirements imposed on our potential clients as our operations can thus be legal and safe. Although our PRC Legal Adviser is of the view that there is no significant regulatory restriction faced by Supplier A to develop its own IDC solution service operation, our Group gains the edge over Supplier A by providing a whole array of infrastructure management services to clients which enhance network infrastructure optimisation, flexibility, scalability and interconnection opportunities. Such advantages possessed by our Group would in turn become entry barriers faced by Supplier A if they wish to directly liaise and deal with our clients. In addition, their fast-growing needs for colocation and infrastructure management services mean we have to, in turn expand our demand for and occupation of Supplier A's data centres, thereby enhancing their stickiness increasingly to us. Our Directors believe that, as a result, Supplier A and our Group are mutually reliant on and complementary to each other's operation.

For details of the risk related to our reliance on Supplier A, please refer to the paragraph headed "Risk Factors — Risks Relating to Our Business and Industry — Our ability to provide IDC Solution Services depends on the major telecommunications carriers in China providing sufficient network services to our clients in the data centre facilities that we operate on commercially acceptable terms" in this prospectus.

### ***Supplier A and our Group are cooperative with and distinguished from each other in the area of edge computing operation***

Edge computing services providers that rely on the infrastructure of telecommunication service providers may not necessarily compete directly with telecommunication service providers in edge computing. Instead, they often collaborate and form partnerships to offer combined solutions. Telecommunication service providers, such as Supplier A, typically focus on providing network connectivity and infrastructure, including data centres, fiber-optic cables and other networking equipment, while our Group, as edge computing service providers, specialises in offering computing and data processing capabilities at the edge of the network. Supplier A usually sees the Edge Computing Services offered by us as an opportunity to enhance their service offerings and provide value-added services to their customers, allowing them to expand their service portfolio and cater to the growing demand for edge computing applications.

In addition, geographically, our Group has deployed and planned to deploy our infrastructure in the prefecture-level cities or administrative districts and counties under our Lower-tier Regions Network Strategy, whereas Supplier A's edge computing service market mainly lies in more established and developed economic areas. Our edge computing infrastructure, primarily consisting of servers and specially-configured edge servers and storage servers owned, operated and deployed by us, is installed into the supplier-owned data centre and facilities. As such, although our Group relies on Supplier A's IDC resources to provide its Edge Computing Services, our established edge computing network can be operated differently from Supplier A's business geographical coverage, or shared with Supplier A by installing our infrastructure in Supplier A's data, which is conducive



to our further cooperation. Our Directors confirm that our cooperation with Supplier A in the area of edge computing services is unlikely to restrict our Group's expansion into Edge Computing Services.

Even though the revenue of our Edge Computing Services mainly comes from our EdgeCDN Services and EdgeAIoT Services, our Edge Computing Services will become more diversified in the future. Our other edge computing service offerings include but are not limited to edge security services, Internet of Things, and live streaming services (the “**Other Edge Computing Services**”), among which certain new service offerings are expected to be launched by the second half of 2024. The Other Edge Computing Services may further differentiate the content of our edge computing services from the ones provided by Supplier A. Our Directors are of the view that our Group and Supplier A's cooperation will intensify in the future and support each other's development of our respective portfolios of edge computing services.

### **Data Centre Business Agreement**

#### ***Term***

The data centre business agreements with our major suppliers generally have a service period of one year, upon the expiry of which the agreement will be automatically renewed, except a party gives an advance notice of termination in not less than 30 days before the expiry of the agreement.

#### ***Pricing***

Similar to the colocation and infrastructure management service agreement, reciprocally, we are charged by our clients on the 95<sup>th</sup> Percentile Bandwidth Charging Model or the Packet Port Charging Model, subject to mutual negotiation or our selection. For details of the two pricing models, please refer to the paragraph headed “— Our Clients — Colocation and infrastructure management service agreement” of this section.

In order to improve bandwidth utilisation efficiency for the purpose of reducing our Group's overall cost, we installed a sophisticated traffic-scheduling equipment in the fourth quarter of 2021, which has improved our packet port bandwidth utilisation rate. As being charged by our suppliers via Packet Port Pricing Model runs the risk of idling bandwidth capacity which will increase our operating cost, the traffic scheduling equipment allows us to maximise the bandwidth usage by our clients per packet port which can effectively drive down our operating cost.

In addition to bandwidth usage, our Group is charged by the number of server racks, cabinets and IP addresses procured and used under the data centre business agreement. The amount of cost in relation to the procurement of server racks and cabinets was relatively insignificant, usually constituting less than 10% of the total cost of sales during the Track Record Period. The amount of cost in relation to the procurement of IP address was negligible compared with the total cost of sales. There is a positive, but not necessary, correlation among the bandwidth usage, cabinet and server rack procurement and IP address procurement. Where the bandwidth usage is expected to be enormous, more servers are expected to be used on the server racks and cabinets.

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Our Group is subject to minimum purchase commitment by our different branches of Supplier A or different suppliers, on a case-by-case basis. Minimum purchase commitment of generally 30–40% of the designated bandwidth traffic under a particular data centre business agreement is usually applicable only to the 95<sup>th</sup> Percentile Bandwidth Charging Model charging against us.

### *The guaranteed performance*

Our suppliers guarantee us up to 99.99% uptime for power and 99.90% uptime for Internet connectivity.

### *Termination*

Prior to the expiry date of the data centre business agreement, either party may terminate the data centre business agreement if the other party is wound-up or bankrupt, or materially breaches the agreement or due to force majeure.

### *Billing and payment*

We are generally billed on a monthly basis in arrears. If the discrepancy in the expected bill amount and the actual amount between the supplier and us is less than a certain percentage, we will pay our supplier according to their metering results. If the discrepancy is over a certain designated percentage, both parties shall share the details of the bandwidth usage data collected, start the reconciliation process, and arrive at a mutually agreed result. During the Track Record Period and up to the Latest Practicable Date, there were no material discrepancies in billing from our suppliers.

During the Track Record Period and up to the Latest Practicable Date, to the best of our Directors' knowledge and belief, there was no material breach of the data centre business agreements.

**Overlapping of clients and suppliers**

For the years ended 31 December 2021, 2022 and 2023, Client B, Supplier A, Client H, Client J, Client I, Client A and Supplier O during the Track Record Period (collectively, the “**Overlapping Clients and Suppliers**”) were both clients and suppliers of our Group. The following table shows the details of our Overlapping Clients and Suppliers during the Track Record Period:

Overlapping clients and suppliers	Revenue derived for the years ended 31 December			Cost of sales for the years ended 31 December			Gross profit for the years ended 31 December			Reasons for the transactions						
	Services provided by our Group			Services/resources procured by our Group			2021				2022			2023		
	2021	2022	2023	(RMB'000) of total revenue	(RMB'000) of total revenue	(RMB'000) of total revenue	(RMB'000) of total cost of sales	(RMB'000) of total cost of sales	(RMB'000) of total cost of sales		(RMB'000) gross profit margin	(RMB'000) gross profit margin	(RMB'000) gross profit margin			
Client B	IDC Solution Services, ICT Services and Other Services, and Edge Computing Services	133,409/28.7%	112,615/20.5%	108,431/15.6%	ICT services, bandwidth and cabinet resources	1,270/0.3%	5,241/0.9%	13,287/0.0%	14,436/12.8%	14,813/3.7%	(1)					
Supplier A	ICT Services and Other Services and IDC Solution Services	10,652/2.3%	2,716/0.5%	1,137/0.02%	IDC resources	271,382/66.6%	264,877/53.2%	2,842/26.7%	338/12.5%	262/3.3%	(2)					
Client J	IDC Solution Services and Edge Computing Services	2,966/0.6%	99,831/18.2%	145,722/20.9%	ICT services	195/0.0%	—	229/9.4%	11,573/11.6%	28,545/19.6%	(3)					
Client H	IDC Solution Services	77,660/16.7%	59,306/10.8%	45,490/6.5%	IDC resources	—	24,901/4.1%	7,586/7.7%	11,333/19.1%	6,175/3.6%	(4)					
Client I	IDC Solution Services and Edge Computing Services	43,369/9.3%	71,243/13.0%	48,114/6.9%	Bandwidth and cabinet resources	1,771/0.4%	—	5,043/11.6%	7,688/10.8%	7,154/4.9%	(5)					
Client A	IDC Solution Services	35,776/7.7%	8,392/1.5%	21,371/3.1%	Bandwidth and cabinet resources	—	8,981/3%	5,263/4.7%	258/3.1%	1,631/7.6%	(6)					
Supplier O	Edge Computing Services	—	—	1,600/0.2%	IDC resources	—	41,184/6.3%	—	—	336/20.4%	(7)					

**Notes:**

- (1) We occasionally procured from Client B certain Internet hardware, software and services for development of our ICT Services and Other Services. For the year ended 31 December 2023, we procured certain bandwidth and cabinet resources from Client B at a price lower than those offered by state-owned telecommunication carriers.
- (2) While Supplier A is our largest supplier of IDC resources during the Track Record Period, we from time to time offered our various ICT Services and Other Services to Supplier A to suit their different needs.
- (3) It was an one-off transaction in respect of procurement of certain ICT services from Client J.
- (4) We procured certain bandwidth and cabinet resources from Client H for the year ended 31 December 2023 at a price lower than those offered by state-owned telecommunication carriers.
- (5) We occasionally procured from Client I certain Internet hardware, software and services for development of our ICT Services and Other Services.
- (6) We procured certain bandwidth and cabinet resources from Client A for the year ended 31 December 2023 at a price lower than those offered by state-owned telecommunication carriers.
- (7) While we procured from Supplier O IDC resources for certain projects/products for the year ended 31 December 2023, we also offered our Edge Computing Services to Supplier O.

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Transactions with the Overlapping Clients and Suppliers similar to those mentioned above are expected to be continuing after the Listing. Our trade payables to the Overlapping Clients and Suppliers and trade receivables from the Overlapping Clients and Suppliers were settled separately. Those sales and purchases were neither inter-connected nor inter-conditional with each other. The overlapping of sales and procurements of ICT Services and Other Services is not uncommon in the IDC and Internet-related industry, since suppliers and clients may possess vastly difference ICT and skill sets which can be complementary to each other. To the best knowledge and belief of our Directors after making all reasonable enquiries, (i) all of the transactions involving Overlapping Clients and Suppliers were conducted in the ordinary course of business under normal commercial terms and on an arm's length basis; (ii) the terms of transactions with the Overlapping Clients and Suppliers were separately negotiated with us and are comparable to the terms of transactions with our other clients and suppliers; and (iii) the prices of the transactions with the Overlapping Clients and Suppliers were no less favourable than our clients and suppliers who are not overlapping clients and suppliers.

Save as disclosed above, none of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owned more than 5% of our issued capital, has any interest in the Overlapping Clients and Suppliers during the Track Record Period and up to the Latest Practicable Date.

### **SALES AND MARKETING**

We market our services and solutions directly through different strategies deployed by our sales and marketing team. In order to improve our service quality and anticipate our clients' needs, our sales and marketing staff sometimes visit our clients to gather information of their needs. Therefore, we can react promptly to our clients' situations.

In addition, we have a marketing and sales team under the leadership of Mr. Jiang, which is responsible for planning and developing our overall market strategies, conducting market research and coordinating all of our marketing activities.

We primarily attract new clients by relying on our Directors' personal connection and word-of-mouth recommendation of our existing clients. For example, our Group became acquainted with Client B through Mr. Sun's personal connections; and our Group became acquainted with Client F through clients' referrals. We have also enlarged our client base by participating in tender bidding. For example, we acquired businesses with Client H and Client I through tender bidding. For the three years ended 31 December 2023, the numbers of successful tender bidding were five, seven and four, representing the success rates of 55.6%, 87.5% and 80.0%, respectively. Our sales and marketing team also actively solicited new businesses from Client A and Client H by conducting visits to the offices of potential clients. For details of how our Group became acquainted with our five largest clients during the Track Record Period, please refer to the paragraph headed "— Our Clients" of this section.

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Before entering into contract with our potential client, we usually will set an internal target to gain a minimum gross profit margin of 10% from our potential client mainly based on the bandwidth cost charged by our supplier (the “**Minimum Rate of Return**”). The Minimum Rate of Return could be flexible, depending on the situations. We may occasionally lower the Minimum Rate of Return for desired clients or in the market we intend to explore.

IDC solution service providers typically engage downstream enterprise clients through (i) direct sales outreach and marketing activities, which is an approach adopted by other market players including Capitalonline Data Service Co., Ltd and GDS Holding Ltd; (ii) referrals by existing and satisfied downstream customers; and (iii) submission of tender. Thus our sales and marketing practices are essentially consistent with industry norms. During the Track Record Period and as at the Latest Practicable Date, we did not acquire businesses with our major clients through referrals by our suppliers.

## RESEARCH AND DEVELOPMENT

Our business and results of operations depend on the dynamic nature of our business model in response to clients’ evolving need. As at the Latest Practicable Date, we had established a three-tiered research structure, where (i) the first tier is our technology committee consisting of our senior management, principally responsible for formulating research direction; (ii) the second tier is our pre-research team, principally responsible for developing forward-looking technologies and collaboration with our existing research; and (iii) the third tier is our Edge Computing Services research team, principally responsible for the commercialisation, and application of our Edge Computing Services. In addition, we further categorise our research into three categories, namely, independent innovation research, major clients’ demand-based research and existing product renovation research. Independent innovation research refers to the development of cutting-edge and core technologies for our service offering in light of the direction formulated by the technology committee, market research, and results of our pre-research team. Major clients’ demand-based research refers to our research per clients’ request. By existing product renovation research, we take into consideration market status, our business development stage, market research and feedback from our clients. We believe having a clearly defined division of labour and product categorisation would effectively enhance our service and product quality.

### Our Procedure

We believe our strong research and development abilities and ability to keep up with the rapid development and advances in IDC Solution Services related technologies through developing innovative solutions are crucial to our continued success. For the three years ended 31 December 2023, we have incurred RMB17.0 million, RMB23.6 million and RMB22.2 million, respectively, as our research and development expenses.

As at the Latest Practicable Date, our research and development team comprised 35 experienced professionals, representing 38% of our total staff. Amongst which, 17 team members are bachelor or master degree holders, mainly majoring in computer science, software engineering or computer related subjects. Apart from relevant technological academic background and working

experience, the research and development team members have to acquire knowledge through continuous training. We plan to expand our research and development team further within the next three years, and intend to hire engineers with bachelor degree or higher in computer-related subjects. For details, please refer to the paragraph headed “Future Plans and Use of Proceeds — Use of Proceeds — Recruitment of talents for IDC Solution Services and Edge Computing Services operations” in this prospectus.

The key steps involved in our development process consist of the following:

- per our Group’s strategies and our client’s needs, conducting market researches and formulating directions for our product development, and perform feasibility studies;
- formulating research guidelines and refining our research procedure;
- performing assessments on the feasibility studies;
- collecting product information of our competitors;
- organising tasks for existing product improvement;
- confirming the product development based on the feasibility studies;
- understanding client’s needs as to the specification, structure and quality of our products and services; and
- providing technological analysis and cost reporting to our sales department.

### **Our Platform**

As at the Latest Practicable Date, we have developed 29 systems, software and platforms, among which, the essential ones are stated in the following:

- *Lingjing Cloud* CDN service traffic statistical system;
- *Lingjing Cloud* CDN cache refresh warm-up system;
- *Lingjing Cloud* CDN daily scheduling analysis system;
- traffic management system: managing traffic amongst networks;
- alarm device platform: alerting in case of network anomaly, giving early warning to our maintenance team in preparation for possible network disruption and resolving the problem prior to our clients’ knowledge;
- IDC remote deployment system improving server connection, thereby increasing the network speed and reducing the overall time needed for service deployment;

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- asset management platform: coordinating the deployment of our cross-regional data centre resources and equipment;
- flow balancing platform: allowing the maximum use of our data centre resources, thereby reducing the overall cost;
- automated guided monitoring device: automatic monitoring of physical environment inside our managed data centres; and
- network traffic monitoring platform: collecting bandwidth usage data samples to and from clients and suppliers respectively.

### **Outsourcing arrangement**

Our Group would outsource certain research and development according to the needs of our development and project requirements. During the Track Record Period, we outsourced certain research and development in relation to (i) certain ICT projects where our Group's research team does not have capacity to develop certain specific type of technology on our own and it was not commercially efficient to hire an extra employee for the research work solely for the purpose of handling such an one-off project; and (ii) CDN technology where extra research capacity is needed in addition to our existing research capacity of our Edge Computing Services. Our Directors are of the view that it is a common practice in the industry and it is more commercially efficient to outsource to third-party research professionals for the research of certain specific technology which we do not possess.

### **Cooperation with third-party research institutes**

As at the Latest Practicable Date, our Group has entered into (i) the Cooperation Agreement on the Construction of Artificial Intelligence and Edge Computing Joint Laboratory (人工智能與邊緣計算聯合實驗室建設合作協議書) with the College of Software of Xi'an Jiaotong University (西安交通大學軟件學院) and (ii) a cooperation framework agreement on the development and application of intelligent new energy commercial vehicle, where our Group contributed through the provision and construction of edge computing infrastructure, with a commercial vehicle manufacturer and a technology company.



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The material terms of the respective cooperation agreements with the research institutes are summarised as follows:

### **The Cooperation Agreement on the Construction of Artificial Intelligence and Edge Computing Joint Laboratory**

Parties of the agreement	College of Software of Xi'an Jiaotong University; and  our Group
Date of the agreement	27 April 2023
Term of cooperation	Two years
Parties' obligation	<ul style="list-style-type: none"><li>— establish the joint innovation laboratory;</li><li>— liaise and organise to compile the joint innovation laboratory construction proposal;</li><li>— raise fund for the establishment of the joint innovation laboratory;</li><li>— propose or suggest research direction or project; and</li><li>— liaise, organise and participate in the project application/ filing to the national and provincial governments.</li></ul>
Ownership of intellectual properties	<ul style="list-style-type: none"><li>— before the signing of the agreement, any intellectual property right (the "<b>IP Right</b>") owned by one party, should continue to belong to that party;</li><li>— after the signing of the agreement, any IP Right developed by one party independent of the other party should belong to the developing party;</li><li>— the non-developing party of the IP Right shall have the right of first refusal when the IP Right is proposed to be licensed or transferred to a third party; and</li><li>— ownership of the IP Right jointly developed by the parties during the establishment of the joint innovation laboratory shall be determined by agreement per negotiation.</li></ul>

## **SEASONALITY**

The IDC solution service market does not exhibit any significant seasonality. Our data centre management operation is carried out all year round. Our colocation and infrastructure management agreements with our clients also set out force majeure terms to cater for the occurrence of events that are beyond the reasonable control of either party of the contract that prevents or hinders the performance of the contract.

## **INSURANCE**

We maintain insurance in compliance with the applicable laws and regulations and in accordance with industry practice. Our Directors consider that our current level of insurance coverage is adequate having regard to our current operations and the prevailing industry practice. We had duly maintained all material insurance policies in compliance with the relevant PRC laws and regulations during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, to the best of our Directors' knowledge and belief, we had not made any material claims under our insurance policies or experienced any material business interruptions and we had not experienced any material insurance disputes. For details, please refer to the paragraph headed "Risk Factors — Risks Relating to our Business and Industry — We may not have sufficient insurance coverage to cover our potential liability or losses and as a result, our business, financial conditions, results of operations and prospects may be materially and adversely affected should any such liability or losses arise" in this prospectus.

## **COMPETITION**

The IDC solution service market is a highly fragmented and competitive market, with an estimated number of 400 players on various scales. The top 20 industry players accounted for 34.5% of the total market share in terms of revenue in 2022. Our Group ranked the 11<sup>th</sup> in the Internet data centre industry among carrier-neutral service providers in terms of revenue in 2022 with a market share of 0.6%.

We primarily compete with other domestic carrier-neutral data centre service providers, including state-owned telecommunication carriers, as well as other domestic and international carrier-neutral data centre service providers, and independent data centre service providers. We believe that we are well-positioned in terms of our operational track record and our ability to deliver high-performance data centre services and maintain consistently high service quality and continue capacity expansion in a cross-regional network in the PRC and accommodate the thriving demand and provide infrastructure management service. Our Directors believe that our cross-regional network, deep operating knowledge and established relationship with the PRC's major state-owned telecommunication carriers sets us apart from our competitors across the major cities and provinces in the PRC.

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Although state-owned telecommunication carriers also provide colocation service business, we believe that our relationship is more akin to partners than competitors. Without self-built data centres, we are agile and flexible in deploying resources effectively in response to our fast-changing clients' needs. In turn, the state-owned telecommunication carriers provide their colocation services together with our infrastructure management services. Thus, we are complementary to each other in the area of data centre operation. We believe that we have a mutually beneficial synergy with state-owned telecommunication carriers since our IDC Solution Services often help carriers attract more clients for their telecommunications services.

The main entry barriers to the data centre solution service industry include: (i) the need to establish relationship with state-owned telecommunication carriers; (ii) strong technical, deep industry know-how and strong business development capability required to cater clients' various needs; (iii) heightened quality standards, adopted by Internet companies and state-owned telecommunication carriers, track record and market presence to compete and avoid takeover; and (iv) extensive client network and presence to maintain healthy long-term recurring revenues.

### **RISK MANAGEMENT AND INTERNAL CONTROL**

Our Directors and senior management are responsible for the formulation of and overseeing the implementation and effectiveness of our internal control and risk management systems, which have been designed to ensure our Group's ongoing compliance with the applicable laws, regulations and rules relevant to our business operations and/or corporate governance, and to prevent the recurrence of non-compliance incidents. Our internal control and risk management systems cover, among other things, finance management, sales management, remuneration management and personnel management. We have also adopted before the Listing, the following measures to ensure compliance with the Listing Rules upon the Listing.

We do not adopt any hedging policy. For details regarding the risks involved in our operation, please refer to the section headed "Risk Factors" in this prospectus.

#### **Information Security Risk Management**

We have adopted a privacy policy that explains how we collect, use, share and protect personal information. We sign confidentiality agreements with all our employees, clients, and suppliers to prevent unauthorised disclosure of information. In particular, the agreements we entered into with our employees, clients and suppliers, respectively, (i) clearly outline our rights to access data for service provision; and (ii) explicitly state that each of our employees, clients and suppliers is responsible for data usage and protection.

Our IDC Solution Services include colocation services in terms of server cabinet, Internet connectivity, bandwidth usage and infrastructure management services. We will not obtain access to the data stored by our clients during the provision of our IDC Solution Services. Therefore, our Directors confirm that the IDC Solution Services do not involve any collection, processing or handling of personal information.

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The provision of our Edge Computing Services may involve collection, processing and handling of personal information, depending on the nature of the service offerings developed and offered by us under our *Lingjing Cloud* to our clients from time to time. As at the Latest Practicable Date, we mainly offered EdgeCDN Services as well as EdgeAIoT Services to our clients under this business segment, and only the provision of EdgeAIoT Services involved the collection and/or processing of a relatively small volume of personal information by the Group subject to our clients' needs.

In the provision of EdgeCDN Services, our Directors confirmed that certain data coming from our clients' servers are temporarily cached in our edge nodes for a short period of time, typically in minutes or days. Our clients are able to determine the time that such data are cached in our edge nodes. In the absence of any modification, our default expiry time for the cached data is seven days. Technically, all enquiries for information that are served from a cache are regarded as static requests, which mainly relate to (i) publicly available data including short and long videos, web and game graphics and large files; (ii) data authorised by our clients, which do not contain any user privacy data or personal information. The data caching and other functions in our edge nodes are conducted in strict compliance with requirements under the relevant rules, regulations and contracts. On the other hand, all enquiries for information involving the personal data of end-users are regarded as dynamic requests that are not served by any cache and reach the original webserver directly. Therefore, in the provision of EdgeCDN Services, our *Lingjing Cloud* only processes static requests, which mainly relate to publicly available data and data authorised by clients, which do not contain any user privacy data or personal information, as mentioned above.

In the provision of the EdgeAIoT Services, the enhancement of the AI algorithm model was achieved by processing the data collected from terminal devices in the cloud. The relevant data might be collected and processed by the Group with the prior authorisation from the clients or by the clients themselves. As at the Latest Practicable Date, the data mainly collected and processed by the Group, such as the images of the road conditions, did not contain personal data; on the other hand, personal data was primarily collected, stored and processed by the clients locally in their servers. Subject to our clients' needs, the Group would obtain a part of the relevant data from our clients, which may include videos containing personal images, for conducting AI Large Model Training under a limited scope with the prior authorisation of the clients in accordance with the applicable laws and regulations. Such personal data obtained by the Group would be immediately deleted upon completion of the AI Large Model Training which usually lasts for one month. Therefore, as at the Latest Practicable Date, our Directors confirmed that all servers owned by the Group do not process and/or store any unauthorised personal data of our Group's clients and end-users, and that our Group does not collect and/or access personal data of its clients and their end-users without prior authorisation.

*Compliance with applicable laws and regulations*

The Personal Information Protection Law of the PRC effected on 1 November 2021 aims to protect personal rights and interests in personal information, regulate the processing of personal information, ensuring the orderly and free flow of personal information in accordance with the law and promoting the reasonable use of personal information. Under the Personal Information Protection Law, domestic companies in the PRC shall establish internal management systems and operational procedures for personal information protection to fulfill the relevant legal responsibilities. Before collecting personal information from its employees, the Group will issue an Employee Privacy Notice (《員工隱私通知》) to the employees to inform them of the rules for processing personal information, the content of their rights and the way to exercise them. The Group has uniformly formulated and issued internal policies such as the “Personal Information Protection Compliance Management Measures V1.0” (《個人資訊保護合規管理辦法V1.0》) and “Customer Information Confidentiality System” (《客戶資訊保密制度》) to set out compliance management requirements on the entire life cycle of processing personal information, including the collection, storage, usage, disclosure and cross-border transmission of personal information.

The Data Security Law of the PRC effected on 1 September 2021 sets out the requirements for enterprises to establish a sound data security management system throughout the whole process. As at the Latest Practicable Date, the Group has internally formulated and issued “Data Security Management Regulations” (《資料安全管理規定》), which clearly stipulates the responsibilities, scope of data security management and the supervision methods of each department which uses the information systems of the Group. The Group has also formulated the “Information Security Policy V2.0” (《信息安全性原則V2.0》) to stipulate the rules of data access and exchange within the Group, as well as the response process to external risks. At the same time, the Group has also executed additional confidentiality agreement with the core personnels in processing data possessed by the Group to clarify their confidentiality obligations and responsibilities.

For further details of the applicable laws and regulations in relation to data compliance, please refer to the paragraph headed “Regulatory Overview — Regulations on Information Security and User’s Information Protection” in this prospectus.

As at the Latest Practicable Date, to the best of its knowledge and information, the Group (i) had strictly complied with its data processing obligations in accordance with the service contracts with third parties; (ii) had not received any records of penalties for relevant violations of laws and regulations or had any legal disputes with third parties in relation to data security or cyber security matters; (iii) had not discovered any incidents regarding leakage of personal information; and (iv) other than standard regulatory checks and inquiries, had not been subject to any non-compliance investigations or sanctions in relation to cybersecurity or data security from the relevant government authorities. Moreover, during the Track Record Period and up to the Latest Practicable Date, we were not involved in cross-border data transfer in our daily operation. In summary, the PRC Legal Adviser is of the view and our Directors concur that, based on the analysis of the

Group's business operations under the current regulatory regime, the Group is in compliance with the regulatory requirements of the applicable laws and regulations relating to data protection and privacy in the PRC.

*Internal control measures*

Our Group has put in place various internal control policies and measures for data protection and security, including but not limited to the following:

- forbidding our staff to use our clients' data for any purpose other than for the provision of our services;
- requiring our staff to use their designated accounts with their passwords changed on a regular basis for accessing our clients' data and only authorised staff could access personal information for the provision of our services;
- adopting various technological measures to protect data privacy and storage security, for example installing and using firewalls, anti-malware and network security protection applications at both software and hardware levels;
- conducting regular data backup, data recovery tests and routine examination of proper data storage to identify any security loopholes, followed by system upgrades if necessary for ensuring the security of server systems and applications;
- formulating cybersecurity contingency plans with regular training and safety drills in preparation for any emergent cybersecurity incidents, which involve, promptly informing affected users and reporting to the competent authorities in accordance with applicable laws and regulations;
- establishing proper policies to handle and dispose of data that has been completely utilised and is no longer required in the provision of our services to the relevant clients; and
- delegating to our in-house legal departments certain responsibilities regarding regulatory compliance with external legal advice if needed, which include (i) monitoring the laws and regulations applicable to the Group's operation in order to promptly identify changes and updates therein; (ii) preparing applications and filings for necessary permits or licences and obtaining requisite governmental approvals or consents; and (iii) revising our internal policies in accordance with the changes in applicable laws, regulations and industry standards.

The Internal Control Consultant has reviewed the internal controls measures related to data compliance, particularly the safeguarding of personal information collected and/or processed by our Group, and has come to a conclusion that no material deficiencies were identified after the review.

### **Business Continuity**

We have established a guide and procedure for our data centre management staff to ensure the continuity of our operations and perform disaster recovery function.

We have adopted an emergency operating procedure and mitigate potential disruptions from power outages, fires or floods, typhoons and other natural disasters. We conduct emergency drills to further improve our procedure. We also regularly conduct trainings with relevant personnel to ensure their preparedness to manage emergency situations and handle potential contingencies.

In order to ensure the availability of our power supplies, energy transmission as well as fire prevention and detection systems, we implement a monthly operating and inspection plan and annual maintenance plan for relevant equipment.

### ***Audit Committee***

We have established an Audit Committee which comprises all independent non-executive Directors to review and supervise our financial reporting process and internal control system. Our Audit Committee has also adopted its terms of reference, which also sets out its duties and obligations for ensuring compliance with relevant laws and regulations. For further biographical details of the independent non-executive Directors, please refer to the paragraph headed “Directors and Senior Management — Board of Directors — Independent non-executive Directors” in this prospectus.

### ***Compliance with Listing Rules***

Our internal control policies cover aspects related to corporate governance, connected transactions and securities transactions by our Directors to ensure our Company complies with the Listing Rules. Our Directors and senior management have attended trainings conducted by our Hong Kong legal advisers on the ongoing obligations, duties and responsibilities of being a director of a publicly listed company under the Companies Ordinance and the Listing Rules. To monitor the ongoing compliance with the Listing Rules, we will appoint a compliance adviser to keep track of all updates of Listing Rules and ensure adequate disclosures.

### ***Appointment of compliance adviser***

We have appointed SPDB International Capital Limited as our compliance adviser with effect from the Listing Date to assist our Board on ongoing compliance matters relating to the Listing Rules and/or other applicable securities laws and regulations in Hong Kong.

### ***Appointment of external Hong Kong and PRC legal advisers***

We will appoint qualified Hong Kong and PRC law firms upon Listing when necessary to advise our Group on compliance with the applicable laws and regulations in Hong Kong and the PRC and, if necessary, to provide us with the relevant training from time to time.



***Permits and licences***

We have assigned a designated staff to maintain a log to monitor the attainment and renewal of the licences, approvals and permits required for our operation and ensure that such relevant licences, approvals, and permits are renewed prior to their respective expiration dates.

To ensure the above compliance culture is embedded into everyday workflow and set the expectations for individual behaviour across the organisation, we will regularly conduct internal compliance checks and inspections, adopt strict accountability internally and conduct compliance training.

Without prejudice to the responsibilities of the Board of Directors as a whole, the Audit Committee oversees financial and business risk management and discusses the process by which management assesses and manages the company's exposure to those risks and the steps taken to monitor and control such exposure. For details, please refer to the paragraph headed "Directors and Senior Management — Board Committees" in this prospectus.

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS**

We have been aiming for long-term sustainable growth since the inception of our Group. In order to achieve this, we strive to work with all stakeholders to ensure that our Group is not only an exceptional IDC solution service provider, but also a respected market leader. This includes continually assessing and improving our role in the communities and environment in which we operate. We are therefore committed to working with government and regulators, our business partners, clients, employees, industry, community and the public as a whole to play our part in building a healthy, robust and sustainable future.

**Board governance and management**

We are committed to environmental, social and climate-related issues, and have adopted and implemented measures to ensure that we comply with applicable requirements. Our Board has well-defined responsibilities for overseeing the Company's execution of matters in relation to environmental, social and governance ("ESG"), setting up ESG overall visions and strategies, and reviewing the overall ESG performance of the Company at least once a year through an ESG report prepared annually. Principal duties and responsibilities include among others:

- Reviewing and discussing the content and quality of the ESG reports in the Board meeting to ensure that they meet the requirements from the Board and the standards of Appendix C2 to the Listing Rules;
- Monitoring and reviewing the compliance status of ESG-related laws and regulations;
- Reviewing communication channels between the Company and different stakeholders regularly to ensure effective communication;

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- Keeping abreast of emerging market trends regarding ESG-related issues which may potentially impact business operations, and reviewing the Company’s ESG performance against the goals and targets; and
- Monitoring the cooperation between different departments and urging the related departments to improve ESG strategies.

To facilitate the identification of material ESG-related issues that have significant impact to the Company and its stakeholders, the Company has engaged the services of a third-party ESG consultant (the “**ESG Consultant**”) to assist the Company in conducting materiality assessment. The Board has reviewed and validated the result of the materiality assessment conducted by our ESG Consultant.

### Measures to identify, assess and manage ESG-related risks

We have adopted various strategies and measures to identify, assess and manage ESG-related risks, including but not limited to:

- establishing communication channels and taking into consideration of the internal stakeholders’ opinion to understand ESG-related concerns and how our ESG and climate-related performance have impacted different stakeholders;
- reviewing and referencing MSCI’s ESG Industry Materiality Map and the Sustainability Accounting Standards Board’s Materiality Map to identify ESG issues material to our Company; and
- engaging ESG Consultant to advise on compliance with ESG matters.

We have identified the following material ESG issues and their potential impacts:

<u>Material ESG issues</u>	<u>Potential Risks, Opportunities and Impacts</u>
Human resource management	Ineffective human resource management may lead to difficulty in recruiting and retaining talents, which will result in high employee turnover rates and decreased productivity.
Data security	Inadequate and inefficient prevention, detection and remediation of data security threats will put the Company’s data and the customers’ data at risk, which will damage the Company’s reputation and influence customer acquisition and retention.
Intellectual property protection	Ineffective intellectual property protection may put the Company at risk of copyright infringement of others’ works, leading to litigations while also potentially tarnishing our reputation.

### **Environmental sustainability**

As an internet data centre solution provider, we do not possess any data centres. Therefore, we are not subject to any significant environmental risks. Historically, we have been committed to reasonable deployment of resources, demand-supply optimisation, continuous improvement of the efficiency of the use of data centre resources and striving for sustainable, energy saving and efficient operation. We believe that everyone in society should do their part in conserving the environment.

We have adopted environmentally friendly practices and policies, including but not limited to:

- switching off all electronic equipment and light when they are not in use;
- installing energy saving lights;
- encouraging waste avoidance by providing recycling bins at easily accessible points;
- using electronic channels for internal communication to minimise paper waste;
- encouraging double-side printing and reusing of wastepaper. Paper for single-side printing would be adopted when handling official documents and confidential documents when necessary;
- switching off all the air conditioner after normal business hours and during non-working days. Encouraging our employees to close the doors;
- ensuring no idling vehicles with running engines;
- reducing water pressure to the lowest level; and
- reminding staff to turn off the faucet tightly

The business of the Company is mainly office operation, thus there are solid waste, indirect greenhouse gases (“**GHG**”) generated from the purchase of electricity, as well as little air pollutants emitted from the Company’s vehicles. The Company has implemented different measures to control the emissions from our daily operation.

During the Track Record Period, the Company produced the following waste materials, which have been dealt with through the implementation of different environmental measures:

#### ***Exhaust Gas***

The source of air pollutants of the Company comes from private vehicles that were used in supporting our daily business operation. The Company understands the potential effects of air pollutants and therefore sets a target for minimising air pollutant emissions. We expect to achieve

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the target of reducing 5% of GHG emissions by 2030 with 2022 as the baseline year after comparing the historical data during the Track Record Period. In order to achieve this goal, the Company may consider to use electric cars as company vehicles to reduce GHG emission.

The Company's air pollutant emissions and GHG emissions during the Track Record Period are as follows:

<u>Air pollutant emissions</u>	<u>For the year ended 31 December</u>		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
Nitrogen Oxides (NOx) (kg)	8.65	17.53	46.34
Sulphur Oxides (SOx) (kg)	0.15	0.31	0.81
Particulate Matter (PM) (kg)	0.64	1.29	3.41
<u>GHG emissions</u>	<u>For the year ended 31 December</u>		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Total GHG Emissions (tCO<sub>2</sub>e)</b>			
<b>(tonnes CO<sub>2</sub> equivalent)</b>	<b>61.14</b>	<b>123.50</b>	<b>216.30</b>
Scope 1 — direct emissions <sup>(1)</sup>	24.65	49.97	132.07
Scope 2 — energy indirect emissions <sup>(2)</sup>	25.54	65.09	78.02
Scope 3 — other indirect emissions <sup>(3)</sup>	10.94	8.44	6.21
<b>Intensity (tCO<sub>2</sub>e/RMB million of revenue)</b>	<b>0.13</b>	<b>0.22</b>	<b>0.31</b>

*Notes:*

- (1) Scope 1 direct emissions include GHG emissions from the use of vehicles. Calculation method is from Appendix II of the guide of “How to Prepare an ESG Report” published by the Stock Exchange (the “Guide”) while the emission factors used are from the “Guidelines on Greenhouse Gas Emission Accounting and Reporting” provided by the NDRC.
- (2) Scope 2 indirect emissions include GHG emissions from the use of purchased electricity. Calculation method is from Appendix II of the Guide. The emission factors used are from the “Average Carbon Dioxide Emission Factor of China Regional Power Grid” and the “Guidelines on Greenhouse Gas Emission Accounting and Reporting” published by NDRC.
- (3) Scope 3 emissions include other indirect emissions that occurs outside the Company, including (i) methane gas generation at landfill due to disposal of paper waste; (ii) electricity for water treatment and (iii) outbound business trips by employees. The calculation method and emission factors of methane gas generation at landfill due to disposal of paper waste are from Appendix II of the Guide. The calculation method of electricity for water treatment is from Appendix II of the Guide and the emission factors are from the “Average Carbon Dioxide Emission Factor of China Regional Power Grid” published by NDRC. The calculation method of outbound business trips by employees is based on the Carbon Emissions Calculator provided by International Civil Aviation Organisation (ICAO).

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The Company has tuned to maintain the vehicles in an efficient condition as inefficient car engines will use more fuels and emit more air pollutants. Also, drivers were reminded to ensure no idling vehicles with running engines, so as to minimise air pollutant emissions. As the Company aims to reduce the production of GHG emissions, the Company may face an increase in operation costs in the future, such as increasing the budget for the purchase of electric vehicles and increasing the cost of regular vehicle maintenance.

### *Solid Waste*

General office waste is the major non-hazardous waste generated by the Company and the amount of such non-hazardous waste is insignificant to the Company's business operation. Notwithstanding the minimal non-hazardous waste generation of the Company, we have set long-term targets to reduce waste generation by encouraging waste recycling.

The Company strives to promote green office by adopting numerous measures on reducing waste generation as well as raising employee's environmental awareness, including but not limited to:

- Using recycled toner and purchases printing paper with recycled content;
- Evaluating the quantity of office equipment before procurement to avoid overstock;
- Encouraging employees to take notes on used paper and use paper on both sides wherever possible in order to reduce paper consumption;
- Requiring employees to disseminate information by electronic means whenever possible to reduce paper use; and
- Replacing all disposable cups and wooden chopsticks by non-disposable items such as ceramic cups and reusable cutlery.

### *Energy consumption*

As an IDC solution service provider, the Company does not possess any data centres which require high energy consumption for operation. We consume energy mainly from purchased electricity for office operation and use of vehicles. Our energy consumption throughout the Track Record Period is shown as below:

<b>Energy consumption</b>	<b>For the year ended 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Total Energy Consumption (MWh)	<b>135.69</b>	<b>293.99</b>	<b>643.33</b>
Use of vehicles (MWh) <sup>(1)</sup>	99.39	201.47	532.42
Purchased electricity (MWh) <sup>(2)</sup>	36.30	92.52	110.91
Intensity (MWh/RMB million of revenue)	0.28	0.52	0.92

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*Notes:*

- (1) Vehicles consumption is calculated based on the actual amount consumed. Calculation method is from Appendix II of the Guide. The emission factors were calculated with reference to the “Guidelines on Greenhouse Gas Emission Accounting and Reporting” provided by NDRC.
- (2) Electricity consumption is calculated based on the actual amount purchased.

The Company is dedicated to reducing electricity consumption and has set long-term measurable targets after comparing the historical data during the Track Record Period. We expect to achieve the target of reducing 3% of electricity consumption by 2030 with 2022 as the baseline year. With the close monitoring of electricity consumption and the implementation of various mitigation measures, it is expected that our Group’s electricity consumption will maintain at a stable level in the future despite the expansion of our Group’s business. In order to achieve the goal, the Company has implemented a variety of measures to reduce the usage of electricity in the office, including but not limited to:

- separating light switches for different light zones in the office and requiring employees to switch off lighting when zones or rooms are not in use;
- maximising natural light in the workplace as far as practicable and installing motion sensors in areas not frequently used and installing dimmers where possible to adjust light intensity, so as to save electricity consumption;
- requiring employees to switch off the air conditioners for rooms not being used;
- cleaning filters and fan coil units of the air conditioners regularly in order to increase their efficiency; and
- setting computers to automatic standby mode when idling and requiring employees to switch off electronic equipment when leaving office in order to minimise energy wastage from electronic equipment.

Since the Company aims to reduce the consumption of electricity, the Company may face an increase in operation costs, such as purchasing more energy-efficient IT equipments and other energy saving products. Meanwhile, the Company will arrange dedicated staff members to monitor the relevant energy usage in the future, which will also increase the operating costs.

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### *Water consumption*

The usage of municipal water contributes to the majority of water consumption for office operation. Thus, the Company inevitably generates a small amount of domestic sewage which is discharged into the municipal sewage pipe network for treatment. Our water consumption throughout the Track Record Period is shown as below:

<u>Water consumption</u>	<u>For the year ended 31 December</u>		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total water consumption (m <sup>3</sup> )	122	279	468
Intensity (m <sup>3</sup> /RMB million of revenue)	0.25	0.49	0.67

The Company understands the importance of water conservation as water is a precious resource and intends to reduce the intensity level of water consumption in the future. The Company has set a target to continue to promote water conservation. In order to minimise our water consumption, the Company have implemented or will continue to implement the following measures:

- Putting up water saving reminder labels in toilets to raise the employee's awareness of water saving;
- Requiring employees to close the faucet after use; and
- Informing the property management company immediately for arranging maintenance if any dipping tap is found.

### *Compliance with Relevant Environmental Laws and Regulations*

Our costs of managing environmental issues, such as electricity bills and water bills for the three years ended 31 December 2023 were approximately RMB31,800, RMB95,400 and RMB132,000, respectively. Going forward, the Company estimates an annual budget of approximately RMB135,000, RMB137,000 and RMB140,000 in 2024, 2025 and 2026 individually for managing environmental issues and the Company shall continue to review the environmental expenditure and budget for environmental compliance and developing well-spent environmental strategies.

In view of our measures to the resource conservation and emission control as detailed above, our Directors believe that our business operations do not have a material adverse impact on the environment.

According to the environmental impact assessment report and the confirmation letter issued by the relevant PRC environmental authorities, we are in compliance in all material respects with the applicable PRC environmental, health and safety laws and regulations with regard to environmental protection during the Track Record Period. We have met the relevant environmental requirements



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under the PRC laws and were not subject to any fines or legal action involving material non-compliance with any relevant environmental regulation, nor are we aware of any threatened or pending action by any environmental regulatory authority during the Track Record Period.

### **Social responsibility**

#### *Economic responsibility and employee care*

Human capital is valuable for our Company in reaching long-term sustainable development and we believe that human resource management is of utmost importance to the business of our Company. Therefore, we have developed a human resources management policy to enhance the efficiency of human resources management and protect the rights of employees, thereby retaining talents.

As at 31 December 2023, the metrics related to the Group's social indicators are as follows:

<b>Indicators</b>	<b>31 December 2023</b>
Number of employees	100
By gender	
Female	41
Male	59
By employment type	
Full-time	99
Part-time	1
By age group	
< 30 years old	34
30–50 years old	66
> 50 years old	0
Turnover rate (%)	25%
By gender (%)	
Female	30%
Male	21%
By age group (%)	
< 30 years old	47%
30–50 years old	14%
> 50 years old	0%

#### *Recruitment and dismissal*

Our recruitment procedure is fair and open for all candidates while the screening criteria is based on candidate's qualification, work experience and skills and is not affected by other factors such as age, sex, race and nationality. During the date of employment, human resources department will check new employee's documents such as identity cards, academic certificates and household

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register to confirm if his or her ages, identities, educational background and appearance match his or her supporting documents and to avoid child labour. Whenever an employee offers to resign, human resources department will interview him or her before quitting to find out the reason of resignation as well as to identify and manage staff turnover related problem.

### *Development and training*

We strongly believe that our talents are the cornerstone of our success, so numerous resources have been invested for our employees of all levels in career development and training, including newcomers' training, on-the-job training, professional development seminars and accredited educational courses. We also have comprehensive staff appraisal system and promotion pathways in place to clarify the career advancement opportunities within our Group for our employees.

### *Remuneration, compensation and benefits*

Employees are recognised as the Group's most valuable assets. The Group has set a measurable target, which expects to keep the turnover rate below 20% by 2030. In order to achieve this goal, we offer competitive remuneration package as well as other benefits to minimise turnover rate in the future. According to external and internal salary benchmark, the salary structure will be reviewed annually. Our human resources management policy clearly states that the salary of all employees be determined based on the competencies, experience, skills and qualifications required for a specific post as well as the staff appraisal result. In addition, the Company determines the working hours of employees in accordance with relevant regulations and adopts a five-day workweek arrangement to ensure that employees have sufficient rest time. With the target set, the Company may face an increase in operation costs, such as providing attractive remuneration package and other benefits to retain our employees.

As a way to care about employees, and at the same time stimulate their working initiative, our Company offers all employees a wide range of welfare and benefits. We make contributions to endowment insurance, medical insurance, unemployment insurance, maternity insurance, employment injury insurance, and housing provident fund for all employees. We also offer benefits to employees including festive gifts, marriage gifts, meal allowance and communication allowance.

### *Health and safety*

We devote to providing and maintaining healthy safe workplace for employees in order to minimise the risk of occupational health and safety. Employees are required to strictly comply with the working and operational procedures and the laws and regulations in respect of occupational health and safety so as to prevent accidents. All employees who have passed the probationary period can enjoy free annual body check-ups.

During the Track Record Period, our Company did not violate any laws and regulations related to safe working environment and there were no fatal accidents or work-related accidents and any associated compensation paid to employees. Since our business operation does not involve any dangerous procedures with high risk of health and safety, our Company has made contribution to

employment injury insurance for all employees to provide elementary protection. If there are any work-related accidents, we will provide compensation to employees according to relevant laws and regulations.

#### *Diversity of Workforce*

We are committed to promoting fairness, diversity and inclusion in the workplace, so all our employees enjoy equal opportunities in all employment activities, ranging from recruitment, training, welfare coverage, career and personal development. We have set a long-term target of achieving a one-to-one ratio of male to female employees in 2030 to demonstrate our dedication to workforce diversity. We highly value anti-discrimination and do not tolerate any form of discrimination on the grounds of age, gender, sexual orientation, disability, race, national or ethnic origin, family status or any other characteristics protected by law. With the target set, the Company may face an increase in operation costs, such as providing more comprehensive benefits for female employees in order to achieve the goal.

#### *Contribution to the community*

We have made contributions to the welfare of society and sharing our corporate social responsibility. For example, we have made monetary donation to combat COVID-19 and have made materials donations to underprivileged. Also, we have sponsored an education development fund of an educational institution to support the education development in the community. Besides, we have organised a number of charitable events and volunteering services for our employees such as blood donations and regular visits to people in need.

#### *Information security*

We endeavour to offer our clients efficient disaster recovery solutions and efficient high-performance colocation, network, and power supply. Based on the ISO 27001 information security management standard, we have formulated information security management policies and guidelines which set out different security management framework in various aspects, such as computer equipment, electronic records, software and database, in order to protect all valuable information, data and intellectual property and prevent the occurrence of information security incidents. To further improve the ability and level of prevention and control of network emergencies, we have established a network security incident emergency response plan to effectively and promptly deal with network security incident. Appropriate emergency response measures addressing different network security incidents have been stated in the plan so as to minimise the negative impacts brought by different security incidents on our business operations. Also, we have established an information security management task force to be responsible for identifying, evaluating, and mitigating potential information security risks related to our business operations.

Our information security management system assigns detailed areas of responsibility across our Company to ensure the security of information stored in and transmitted through our data centres. We not only conduct annual internal and external audits, but also invite independent third-party auditors to conduct information security risk assessments on an ad-hoc basis.

***Supply Chain Management***

Effective supply chain management is the prerequisite to the success of the Information Technology industry business. Therefore, we aim to minimise the environmental and social risks of its suppliers by setting criteria for supplier selection. We will evaluate suppliers' product quality, delivery time, production capacity, compliance and other factors. Suppliers should comply with all relevant local and international laws and regulations regarding anti-bribery, anti-corruption and other unethical business practices. In addition, We will give priority to local suppliers or suppliers that are geographically closer and more accessible to the company to reduce carbon footprint.

***Anti-corruption***

We uphold the core value of business integrity and have a zero-tolerance attitude towards corruption. We strictly comply with local and international anti-corruption related laws and regulations, including but not limited to Criminal Law of the PRC, Anti-Money Laundering Law of the PRC and Foreign Corrupt Practices Act of the United States. We have formulated a regulation on professional integrity to provide guidance and regulations to avoid any misconduct or bribery behaviour that may damage the Company's economic interests. Employees who are middle management or above are required to sign a professional integrity commitment letter, committing to the Company's regulation on business integrity. Also, anti-corruption trainings are organised regularly to enhance the employee awareness of anti-corruption and professional integrity. Besides, we sign anti-corruption agreements with our clients and suppliers, which generally forbid secret profits, conflicts of interest, corruption arising from sub-contracting and acceptance of gifts.

The Company strictly complies with all relevant law and regulations in respect of all the above mentioned aspects of social responsibility.

The Company also has established internal monitoring mechanisms include setting up a reporting mailbox in the Company, announcing the complaint report hotline to employees and accepting internal supervision. Apart from internal mechanisms which promote the integrity of all employees, the Company also desires to develop and maintain business relationships with partners who uphold the principles of integrity and compliance in their business operations. In order to ensure that the business transactions between both parties comply with the principles of good faith and fair dealings, an anti-corruption and anti-bribery agreement is in place which clearly indicates the procedures of reporting any violation regarding anti-corruption is found during the business cooperation. The whistle-blower's identity will be kept confidential and incentives will be given to the whistle-blower after the reported incident is proved to be true.

**OVERALL IMPACT OF THE OUTBREAK OF COVID-19 ON OUR BUSINESS OPERATION**

Since 2020, the outbreak of COVID-19 has materially and adversely affected the Chinese and global economies. In response to the COVID-19 pandemic, the PRC government has imposed various restrictions and measures to constrain the spread of the virus, these include stringent lockdown measures, contact tracing system and mass-scale testing campaigns whenever a new

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cluster of infections was discovered. While effective in containing the outbreak, these measures have hindered daily economic activities and there were a slowdown in IT spending during the first half of 2020, especially on hardware business including devices and IT equipment. Further, the disruption on global supply chain have also affected both the supply and inflationary risks on basic unit such as microchips.

Due to the measures the PRC government imposed, such as restrictions on the mobility and cancellation of public activities, our operations had, to a certain extent, been impacted by delays in business activities and commercial transactions as well as general uncertainties surrounding the duration of the government-imposed extended business and travel restrictions. In order to protect our employees from the epidemic and comply with the government measures, we carried out corresponding measures such as temporary closure of our offices, remote working arrangements and business travel suspension. These measures temporarily reduced the capacity and efficiency of our operations.

Despite the temporary disruption caused by COVID-19, we were able to sustain our business growth and deliver robust revenue growth due to the surge in the market demand for internet and IDC services. For the impact of the outbreak of COVID-19 on our financial performance, please refer to the paragraph headed “Financial Information — Overall Impact of the Outbreak of COVID-19 on Our Financial Performance” in this prospectus.

The outbreak gradually got under control in the second half of 2020, while the PRC government maintained certain hygiene and safety measures to prevent further outbreak, the economic activity in the PRC revived. In particular, the internet and IDC services industry were positively impacted as companies were driven to adopt and implement digital transformations amid restrictions under the pandemic. For instance, according to the National Bureau of Statistics of the PRC, the total revenue of software industry in the PRC has increased by 13.2%, 16.4% and 11.2% year-on-year, respectively for 2020, 2021 and 2022, during the pandemic. The PRC government gradually eased restrictive measures on business and social activities in December 2022, and has re-opened the borders since January 2023. The relaxation of rules such as allowing infected people with mild or no symptoms to quarantine at home shows a strong sign of promoting economic recovery since the outbreak of COVID-19.

Taking into account (i) the continuous growth of the internet and IDC services industry despite the outbreak of COVID-19 from 2020 to 2022; and (ii) the general increasing trend of our revenue, being RMB464.3 million, RMB548.8 million and RMB695.9 million for the years ended 31 December 2021, 2022 and 2023, our Directors are of the view and the Sole Sponsor concurs that, the outbreak of COVID-19 did not cause and is not expected to cause any material impact on us.

## **PROPERTIES**

Our headquarters is located in Xinwu District, Wuxi, Jiangsu Province, PRC. As at the Latest Practicable Date, we owned one self-owned property with a gross floor area (“**GFA**”) of 1,690.2 sq.m., for which we had obtained the relevant real property title certificates and we occupied two leased properties in Qingdao and Hangzhou with a GFA of approximately 240.32 sq.m. and 340 sq.m., respectively.

### **Non-registration of lease**

The Administrative Measures for Commodity House Leasing (the “**Measures**”) shall apply to the leasing of commodity houses on state-owned land in urban planning areas, under which lease agreements in relation to such commodity houses have to be registered with the local branch of the relevant property administrative authorities within the time limit prescribed. As at the Latest Practicable Date, the lease for our Hangzhou office (the “**Hangzhou Lease**”) was not registered with the local branch of the relevant property administrative authorities within the time limit prescribed, as the registration and filing applicable to leasing of the commercial housing cannot be made for this property due to its construction on collectively-owned land. As advised by our PRC Legal Adviser, the failure of lease registration and filing applicable to leasing of the commercial housing would not directly affect the legality, validity and enforceability of the lease agreement. We are further advised by the PRC Legal Adviser that we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for the unregistered Hangzhou Lease, on the premise that if the relevant PRC government authorities require us to rectify, and we fail to do so within the prescribed time period.

As at the Latest Practicable Date, we have not received any notice from any government authority in relation to penalty or enforcement.

There is no single property interest of our Group that formed part of non-property activities had a carrying amount of 15% or more of our Group’s total assets as at the Latest Practicable Date. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirement of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

## **INTELLECTUAL PROPERTY**

We have registered various trademarks, copyrights, patents, and domain names in the PRC to protect our intellectual property rights. We regard our proprietary intellectual property critical to our business' success.

As at the Latest Practicable Date, we had registered:

- six trademarks in the PRC;
- 34 domain names in the PRC;
- 44 software copyrights and two copyrights of works in the PRC; and
- 51 patents in the PRC.

For detailed information about our material intellectual property, please refer to the paragraph headed “Statutory and General Information — B. Further Information About Our Business — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

Apart from filing registration applications to protect our intellectual property rights, we will (i) manage, supervise and monitor our daily work regarding intellectual properties; (ii) identify timely registration and authorisation status of intellectual properties; (iii) proactively track the registration and authorisation status of intellectual properties and take action in a timely manner if any potential conflicts with our intellectual properties are identified; (iv) separate physical areas for technology development areas and business secrets protection areas which are only accessible with authorisation under strict visiting rules; and (v) clearly state all rights and obligations regarding the ownership and protection of intellectual properties in the employment contracts and commercial contracts we enter into.

As at the Latest Practicable Date, to the best knowledge and belief of our Directors after making all reasonable enquiries, we were not aware of any infringement (i) by us of any intellectual property rights owned by third parties; or (ii) by any third parties of any intellectual property rights owned by us. Further, as at the Latest Practicable Date, to the best knowledge and belief of our Directors after making all reasonable enquiries, we were not involved in any litigation or legal proceedings in relation to any material claims of infringement, either threatened or pending, of any intellectual property rights initiated by or against us that had a material and adverse effect on our business.



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### EMPLOYEES

As at the Latest Practicable Date, we had 93 employees. We had 39, 61 and 100 employees as at 31 December 2021, 2022 and 2023, respectively, in the PRC.

The following table sets forth the number of our employees by function as at 31 December 2023:

<u>Function</u>	<u>Number of employees</u>	<u>% of total</u>
Research and development <sup>(Note)</sup>	14	14.0%
Sales and marketing	25	25.0%
Services and operations	33	33.0%
Management	17	17.0%
Administration and human resources	7	7.0%
Finance	4	4.0%
 Total	 <u>100</u>	 <u>100.0%</u>

*Note:* Subsequent to the Track Record Period, we have evaluated our employees' titles, functions and departments as part of our internal control review for enhancing human resources planning. Accordingly, certain employees from other departments were reclassified to the research and development department. As at the Latest Practicable Date, our research and development department consisted of 35 employees.

The following table sets forth the number of our employees by geographic location as at 31 December 2023:

<u>Geographic location</u>	<u>Number of employees</u>	<u>% of total</u>
Jiangsu Province	63	63.0%
Zhejiang Province	15	15.0%
Shandong Province	19	19.0%
Guangdong Province	3	3.0%
 Total	 <u>100</u>	 <u>100.0%</u>

Our in-house maintenance and network engineers stand by and manage remotely our managed data centres on a 365/24/7 basis. Our teams are deployed in certain regional operations centres, as well as on site, in order to provide two layers of management and support.

### **Recruitment standard**

To maintain the high level of service, we believe that employees' trainings are essential to ensure that our employees meet certain standards and requirements. Our team has 35 research and development staff as at the Latest Practicable Date.

We believe that our capacity to recruit and retain experienced and skilled talents is crucial to our long-term development. We generally recruit our personnel from the open market. We generally recruit our employees with reference to a number of factors such as their industry experience, their skills, expertise, qualifications and performance during the interview.

We generally enter into employment contracts with each of our employees covering matters such as wages, employment scope and grounds for termination. The salaries and benefits of our employees depend primarily on their position, seniority, type of work and contribution to our Group. They may be subject to up to three months' probation period starting on board. We generally pay our employees a fixed salary and discretionary year-end bonus and other allowances based on their respective positions and responsibilities.

### **Employee remuneration**

We believe that our compensation and benefits packages are competitive within our industry. We did not have any labour disputes that materially interfered with our operations during the Track Record Period, and we believe that our employee relations are good. For the years ended 31 December 2021, 2022 and 2023, we incurred staff costs of approximately RMB10.9 million, RMB22.9 million and RMB25.6 million, respectively, representing mainly salaries, wages, bonus, and other pension scheme contributions.

### **Employee opportunities**

We are committed to providing all our employees with equal employment opportunities and a workplace culture of honesty, integrity, and mutual respect. We regularly update our employee handbook to address our talent recruitment principles and anti-discrimination policies. As at the Latest Practicable Date, we had 93 employees, of which, 43% were female. Female employees comprise 56% of our mid to senior level management staff.

We aim to provide our employees with a fair and transparent career development platform, with training opportunities available to all employees. We provide a wide range of orientation for new hires such as on-job training, internal and external knowledge sharing, formal professional training and job related certification.

**Employee training**

We provide various types of training to our employees, including professional training for engineer and training to our data centre personnel in respect of management of data centres, occupational health, and safety. We believe that these training equip our employees with better skills, technical expertise, and knowledge relevant to our construction projects to perform their duties.

**Relationship with employees**

We believe that our Group has an amicable relationship with our employees.

During the Track Record Period and up to the Latest Practicable Date, no labour union was established by our employees. During the Track Record Period, we did not experience any material difficulties in the recruitment or retention of experienced staff or skilled personnel, and we did not experience any material labour disputes with our employees, encounter any disruption to our operations due to labour disputes, strikes or work stoppages, receive any notices or orders from relevant government authorities or third parties relating to employment issues, or receive any claims from our employees.

**LICENCES, APPROVALS AND PERMITS**

As at the Latest Practicable Date, as advised by our PRC Legal Adviser, we had obtained all material licenses and permits required for our business operations (namely, business licenses of our PRC subsidiaries and permits of value-added telecommunication services) in the PRC, and such business licenses and permits have remained in effect. We are not required to obtain any other material licenses or permit in conducting our business operations in the PRC. Our PRC Legal Adviser has advised us that there will be no material legal impediment to renewing business licenses and permits if the PRC subsidiary submits the renewal materials that are in accordance with the PRC laws.

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The material operating licences, approvals and permits held by us as at the Latest Practicable Date are summarised as follows.

<u>Licence/Permit</u>	<u>Holder</u>	<u>Granting Authority</u>	<u>Grant Date</u>	<u>Expiry Date</u>	<u>Scope of Business permitted</u>
ICP Licence	Cloud Factory	Ministry of Industry and Information Technology of the PRC	7 February 2022	7 February 2027	(2)
ICP Licence <sup>(1)</sup>	Jiangsu Yiru	Ministry of Industry and Information Technology of the PRC	21 June 2023	21 June 2028	(3)
Telecommunication Network Code Number Resource Usage Certificate (電信網碼號資源使用證書) <sup>(1)</sup>	Jiangsu Yiru	Ministry of Industry and Information Technology of the PRC	6 November 2023	21 June 2028	Short message service access code in the PRC
ICP Licence	Yun Ruitian	Ministry of Industry and Information Technology of the PRC	22 November 2022	2 July 2025	(4)
ICP Licence	Shandong Dianya	Ministry of Industry and Information Technology of the PRC	19 January 2024	19 January 2029	(5)

*Note:*

- (1) Jiangsu Yiru's ICP Licence and Telecommunication Network Code Number Resource Usage Certificate have already been successfully renewed.
- (2) The scope of businesses permitted include (1) fixed network domestic data transmission services in the PRC; (2) Internet data centre services in Beijing, Tianjin, Shijiazhuang, Taiyuan, Hohhot, Baotou, Wuhai, Shenyang, Dalian, Changchun, Harbin, Shanghai, Nanjing, Wuxi, Xuzhou, Suzhou, Huai'an, Hangzhou, Ningbo, Hefei, Fuzhou, Nanchang, Jinan, Qingdao, Weifang, Zhengzhou, Wuhan, Changsha, Xiangtan, Changde, Huaihua, Guangzhou, Foshan, Huizhou, Nanning, Liuzhou, Haikou, Chongqing, Chengdu, Deyang, Guiyang, Kunming, Xi'an, Lanzhou, Xining, Haidong, Yinchuan, Urumqi and Karamay; (3) content delivery network services in Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia, Liaoning, Jilin, Heilongjiang, Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, Shandong, Henan, Hubei, Hunan, Guangdong, Guangxi, Hainan, Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang; and (4) Internet access services in Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia, Liaoning, Jilin, Heilongjiang, Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, Shandong, Henan, Hubei, Hunan, Guangdong, Guangxi, Hainan, Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang.
- (3) The scope of businesses permitted include (1) Internet data centre services in Beijing, Tianjin, Baoding, Langfang, Taiyuan, Hohhot, Baotou, Wuhai, Shenyang, Changchun, Haerbin, Shanghai, Xuzhou, Huai'an, Zhenjiang, Hangzhou, Hefei, Fuzhou, Nanchang, Jinan, Weifang, Weihai, Zhengzhou, Wuhan, Changsha, Guangzhou, Nanning, Haikou, Chongqing, Chengdu, Guiyang, Kunming, Lasa, Xi'an, Lanzhou, Xining, Haidong, Yinchuan, Urumqi; (2) content delivery network services in the PRC; (3) Internet access services in the PRC; and (4) information service (excluding internet information services) in the PRC.

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- (4) The scope of businesses permitted include (1) Internet data centre services in Hohhot and Jinan; (2) content delivery network services in Inner Mongolia and Shandong; and (3) Internet access services (excluding internet access services for internet users) in Inner Mongolia and Shandong.
- (5) The scope of businesses permitted include (1) Internet data centre services in Taiyuan, Hohhot, Harbin, Xuzhou, Jinan, Qingdao, Guangzhou and Nanning; (2) content delivery network services in Shanxi, Inner Mongolia, Heilongjiang, Jiangsu, Shandong, Guangdong and Guangxi; and (3) Internet access services in Shanxi, Inner Mongolia, Heilongjiang, Jiangsu, Shandong, Guangdong and Guangxi.

During the Track Record Period and as at the Latest Practicable Date, our Group has fully complied with all restrictions and limitations provided in the licences and permits necessary for the operation of our Group.

According to the Regulations on Registration Management of Market Entities (Decree No. 746 of the State Council), the business scope of market entities includes general business projects and licensed business projects. For licensed business projects that are subject to approval in accordance with the law before business scope registration, market entities shall submit the relevant approval documents when applying for registration. Market entities shall proceed with business scope registration in accordance with the classification standards for business projects announced by the registration authority.

According to the above requirements, the business scope on the business license of each of the PRC companies of the Group only sets out the specific types of business being carried out by the Group which does not include restrictions or limitations on geographical locations, and these PRC companies have engaged in businesses beyond the business scope.

We expect to obtain renewed licences and permits before their expiration dates. Our Directors are of the view, and our PRC Legal Adviser opined, that we will not encounter material difficulties in renewing the above licences and/or permits.

For details of the risk of the failure to obtain the licences necessary for the operation of our Group, please refer to the paragraph headed “Risk Factors — Risks Relating to Our Business and Industry — We may fail to obtain, maintain and update licences or permits necessary to conduct our operations in the PRC, and our business may be materially and adversely affected as a result of any changes in the laws and regulations governing the VATS industry in the PRC” in this prospectus.

## COMPLAINTS

Our Group places great emphasis on our client’s satisfaction of our services. If our client files a complaint in relation to network quality, client service quality and technical support quality, we will report to our clients within a short time after the complaint is filed and will provide a written report within 24 hours after the issue is resolved.

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge and belief of our Directors, there had not been any material complaints which had a material adverse effect on our business and results of operations.

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## LEGAL PROCEEDINGS AND NON-COMPLIANCE

The table below sets out our non-compliance incident during the Track Record Period and up to the Latest Practicable Date which we believe would not have materially affected our Group's operation and financial condition:

Non-compliant incident	Major cause of the non-compliant incident	Legal consequences	Potential impact on our operations and financial condition	Rectification actions
<p>During the Track Record Period, we (i) did not make full contributions to social insurance and housing provident funds for some of our employees; and (ii) we also engaged third party agents (who were Independent Third Parties) to assist with social insurance and housing provident funds' registration and payments.</p>	<p>Our under-contribution to social insurance and housing provident funds' scheme were primarily due to (i) inadvertent oversight of the relevant PRC laws and regulations and the implementation of which vary from city to city; (ii) unwillingness of our employees to participate in the schemes as their salaries would be reduced; (iii) migrant workers' typical unwillingness to participate in the social welfare schemes of the city they temporarily reside given such contributions are generally not transferrable among cities; and (iv) practical impossibility for employees who have already participated in the new rural cooperative medical insurance schemes to take part in social insurance scheme in certain urban areas.</p>	<p>Pursuant to the Relevant PRC laws and regulations, employers who do not make full contributions on time to social insurance and housing provident funds may be subject to payment orders or penalties.</p> <p>An employer who has underpaid and/or failed to pay on time in respect of social insurance may be ordered by the relevant government authorities to make full payment of the outstanding amount within a prescribed time limit, together with a surcharge for late payment at the rate of 0.05% per day from the date on which the outstanding amounts become due. Failure to make payment of the outstanding amount within the prescribed time limit may then attract a fine of up to three times the outstanding amount.</p>	<p>As at the Latest Practicable Date, we obtained confirmations from the relevant government authorities of certain cities and countries which stated that we have not been subject to any administrative penalties and actions by the relevant government authorities which cover all of the Group's employees; and our Company confirmed that no penalty or action has been taken for the under-contribution or the engagement of third party agents in relation to the payment of social insurance and housing provident funds, there is no complaint from employees and the relevant social insurance and housing provident fund authorities did not demand payments of the shortfalls of contributions.</p>	<p>We are committed to be fully compliant with the applicable laws and regulations by gradually making statutory contributions to the social insurance and housing provident fund based on actual salary level of our employees going forward. As an upward adjustment of our payment base will also correspondingly increase the contribution amount by our employees, we are in the process of communicating with our employees with a view to seeking their understanding and cooperation in complying with the applicable payment base. The authorities have not imposed any deadline for our compliance. Our compliance with employee social welfare plans is in part subject to cooperation from our employees, who may not be receptive and may have a different attitude towards such plans due to the requirement that they co-contribute. We will seek assistance from our legal advisers and confirm with the relevant authorities on our assessment of the adjusted payment base.</p> <p>We had reviewed our internal control policies and have designated Mr. Jiang Yanqiu, our executive Director and Ms. Ding Wenxiu, our human resources Director, to closely monitor our ongoing compliance with the relevant PRC laws and regulations in relation to social insurance and housing provident funds contribution, and oversee the implementation of any necessary measures. Our Directors also undertake to use their best endeavours to comply with the relevant laws and regulations.</p>

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Non-compliant incident	Major cause of the non-compliant incident	Legal consequences	Potential impact on our operations and financial condition	Rectification actions
	<p>As part of our administrative arrangements, we engaged third party agents to assist with our social insurance and housing provident funds' registration and payments.</p>	<p>An employer which has underpaid and/or failed to pay on time in respect of housing provident funds may be ordered by the relevant government authority to make full payment of the outstanding amount within a prescribed time limit. If the employer fails to make full payment within the prescribed time limit, the relevant government authority may apply to the People's Court of the PRC for enforcement.</p> <p>According to our PRC Legal Adviser, the administrative arrangements in engaging third party agents to assist with registration and payments of social insurance and housing provident funds are not in strict compliance with the relevant PRC laws and regulations, since the obligation to make such contributions shall rest on the Group and should not be delegated to a third party agent.</p>	<p>Our PRC Legal Adviser confirmed that the relevant government authorities have the authority and are competent in giving the confirmations. In view of the confirmations by the relevant government authorities, our PRC Legal Adviser is of the view that the risk of our Group being penalised is remote.</p> <p>On the basis that (i) we have obtained written confirmation issued by the relevant authorities; (ii) our PRC Legal Adviser is of the view that such non-compliance does not constitute material non-compliance behaviour or does not cause any material impact on the Group's business; (iii) our Controlling Shareholders have agreed to indemnify our Group for any demand or penalty arising from this non-compliance incident, (iv) sufficient provisions for the unpaid amounts of social insurance and housing provident fund contributions have been made; (v) our Group confirmed that we had not received any notices or reminders of payment from the relevant authorities; and (vi) there had been no material disputes between our Group and our employees in this regard our Directors believe that this non-compliance incident has no material impact on our business operations or our financial condition, and does not reflect negatively on the ability of our Group, our Directors or our senior management to operate in a compliant manner.</p>	<p>Furthermore, our Controlling Shareholders have agreed to indemnify our Group for any loss arising from such non-compliance incident in connection to our Group.</p>

The provision for the unpaid amounts of social insurance and housing provident fund contributions during the years ended 31 December 2021, 2022 and 2023 amounted to RMB1.4 million, RMB2.7 million and RMB4.0 million, respectively. We believe that such provision should be sufficient to cover our liabilities in respect of the unpaid social insurance and housing provident fund contributions. The maximum penalty that may be faced by the Group for failing to pay social insurance in full and failing to pay housing provident fund in full under the relevant laws and regulations are a fine of RMB8.6 million and RMB1.2 million, respectively. Furthermore, the Directors confirmed that we will rectify such non-compliance, which is not material to the Group's operation and financial conditions, within a prescribed time limit if we receive any demand from the relevant employees or notice from the relevant government authorities.



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According to the certificates issued by the competent social insurance and housing provident fund management departments obtained by the domestic subsidiaries of the Group, these certificates covered all employees of the domestic subsidiaries of the Group who had signed labour contracts.

We have adopted the following internal control measures to ensure that the above non-compliance incidents would not happen again: (i) forbidding from engaging third party agents to assist with social insurance and housing provident funds' registration and payments; (ii) timely payment of the social insurance and housing provident funds from our Company; and (iii) submitting registration of new employees to the social insurance and housing provident authorities under the supervision of our human resources manager. We are of the view, and the Sole Sponsor concurs, that the internal control measures we implemented are adequate and can effectively prevent non-compliance incidents from occurring. During the Track Record Period and up to the Latest Practicable Date, except as disclosed in this prospectus, we have had no incidents of non-compliance having a material adverse effect on our business operations and financial condition. According to our PRC Legal Adviser, other than those disclosed in this prospectus, we have complied with all applicable and relevant PRC laws and regulations in all material respects up to the Latest Practicable Date.

During the Track Record Period and as at the Latest Practicable Date, we had not been a party to any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have material and adverse effect on our business, financial condition, and results of operations.

### U.S. TRADE RESTRICTIONS

The persons on the Entity List are subject to individual licensing requirements and policies supplemental to those found elsewhere in the Export Administration Regulations (“EAR”). More specifically, a license is required for the export, reexport, or transfer (in-country) of items subject to the EAR when an entity on the Entity List is a party to the transaction. Parties to the transaction may include purchasers, intermediate consignees (such as forwarding agents), ultimate consignees, and end-users. The nature of the restrictions imposed by the EAR, and the Entity List specifically, is that of transfer restrictions. The restrictions cover not just products that are produced in the United States and transferred to a purchaser in final form, but also include transfers of (i) non-U.S. produced items which are produced with certain U.S. software, technology or manufacturing equipment, and (ii) items produced with U.S. technologies that are destined to be sold to persons on the Entity List regardless of whether the listed entity is the purchaser, consignee or end-user of such products.

### Our transactions with Client I

We had transactions with Client I, which was on the Entity List during the Track Record Period. The revenue generated from Client I were RMB43.4 million, RMB71.2 million and RMB48.1 million, which accounted for 9.3%, 13.0% and 6.9% of our total revenue for the years ended 31 December 2021, 2022 and 2023, respectively. The increase in revenue generated from Client I in the year ended 31 December 2022 was mainly due to ordinary expansion in business

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volume as we started to procure IDC resources from multiple state-owned telecommunication carriers in response to the business needs of Client I in different data centres. We then recorded a decrease in revenue generated from Client I in the year ended 31 December 2023. Such decrease was primarily due to Client I's adjustment in market strategy where Client I streamlined its business amount in several data centres. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we did not procure any service or equipment outside of the PRC for any of our transactions with Client I. The International Sanctions Legal Adviser is of the view that the sanction risk related to our transactions with Client I during the Track Record Period is low on the grounds that (i) the Group operated and provided services to its clients in the PRC; and (ii) the Group only provided services but not servers or equipment to its clients.

### **Our Group's day-to-day operation**

In provision of the IDC Solution Services, Edge Computing Services and ICT Services and Other Services, the Group's business model is that of a service provider, providing services that include, among others, management services including server racking, data center management services, server monitoring, management and maintenance services, server load balancing service, emergency reporting, network management and server middleware services, server security service, data backup, business continuity and disaster recovery services, system security services, technical consultation, general reporting, upgrade support and complaint handling. In particular, as the Group has adopted the "non-self-built data center" model and hosts servers and other equipment as part of its IDC Solution Services, the Group does not sell these servers or other equipment to its customers. In view of the Group's business model, the Group does not (i) import, directly or indirectly, products from the United States; (ii) transfer or deliver products, directly or indirectly, that other companies may have imported from the United States; and (iii) provide services outside the PRC.

The International Sanctions Legal Adviser is of the view and the Directors concur that, as at the Latest Practicable Date, (1) there are no U.S. trade restrictions or regulations that place restrictions on the Group's business; (2) there had not been and there was not likely to be any adverse impact on the Group's business operations as a result of any trade restrictions or regulations; (3) any export control and economic or trade sanctions imposed and/or proposed to be imposed on the PRC and Hong Kong and the Company's customers or suppliers as well as the Group's business dealings or relationship with restricted entities and/or sanctioned customers or suppliers will not have a material adverse impact on the Company. Further, given the proposed Listing scope and the expected use of proceeds, the involvement by parties in the proposed Listing will not implicate any applicable International Sanctions on such parties, including the Group, its respective directors and employees, the Company's or its subsidiaries' investors and shareholders.

Taking into account (i) the above analysis and advice of our International Sanctions Legal Adviser; (ii) our Directors' view above; and (iii) the Internal Control Consultant's reviews on our internal control measures relating to sanctions management system and procedures, the Sole Sponsor concurs with our Directors' view that (i) there had not been and there was not likely to be any adverse impact on the Group's business operations as a result of any trade restrictions or

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regulations; and (ii) the export control and economic/trade sanctions imposed or proposed to be imposed on the PRC and Hong Kong and our customers or suppliers, as well as our business relationship with Client I, which is our client and supplier on the Entity List, is not expected to have a material adverse impact on us. Further, it is advised by the International Sanctions Legal Adviser that, in light of the analysis provided in this section, the conclusions set forth herein would not be different if the Group occasionally has transactions with additional clients or suppliers that are named on the Entity List.

### AWARD AND RECOGNITION

During the Track Record Period and up to the Latest Practicable Date, Cloud Factory received awards and recognition in respect of our services, technology and innovation, significant ones of which are set forth below:

<u>Award/Recognition</u>	<u>Award year</u>	<u>Awarding Institution/Authority</u>
High and New Tech Enterprise	2018	Jiangsu Provincial Department of Science and Technology
Jiangsu Private Science & Technology Enterprise	2018	Jiangsu Private Science & Technology Enterprise Association
ISO 20000 certification for information technology service management system	2020	Xingyuan Certification Centre Co., Ltd
ISO 27001 certification for information security management systems	2020	Xingyuan Certification Centre Co., Ltd
High and New Tech Enterprise	2021	Jiangsu Provincial Department of Science and Technology, Jiangsu Provincial Department of Finance, and Jiangsu Provincial Taxation Bureau of the State Taxation Administration
Top Ten National New Benchmark Enterprises in China's Cloud Service Industry	2021	China Brand Quality Certification Supervision and Management Centre
Credit Rating Certificate: AAA rating	2021	China Comprehensive Credit Assessment Centre

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<u>Award/Recognition</u>	<u>Award year</u>	<u>Awarding Institution/Authority</u>
Certificate of Credible Managing Demonstration Unit: AAA level credible managing demonstration unit	2021	China Comprehensive Credit Assessment Centre
Quality Service Credible Certificate: AAA level quality service credible unit	2021	China Comprehensive Credit Assessment Centre
Certificate of Valuing Service and Keeping Credit: AAA level unit that valuing service and keeping credit	2021	China Comprehensive Credit Assessment Centre
China Compulsory Certification of Lingjingyun Edge Computing Host (Intelligent Video Processing Server)	2023	China Quality Certification Centre
Filing Certificate of Information System Security Level Protection (Level 3) (Lingjingyun System)	2023	The Ministry of Public Security of the People's Republic of China
Best Cooperation Award of E-cloud Eco-Partner in 2023	2023	China Mobile Limited
Top 20 edge computing enterprise	2023	Edge Computing Community
Edge computing enterprise best potential award in 2023 (金邊獎2023年度最具潛力邊緣計算 企業)	2023	Edge Computing Community
Recognised as one of the edge computing platforms (邊緣計算平臺) in the 2023 Edge Computing Industry List (2023邊緣計算產業圖譜)	2023	Edge Computing Community
Recognised as one of the edge cloud service providers (邊緣雲服務提供者) in the 2023 Edge Computing Industry List (2023邊緣計算產業圖譜)	2023	Edge Computing Community

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<u>Award/Recognition</u>	<u>Award year</u>	<u>Awarding Institution/Authority</u>
Recognised as a provincial level Specialised and New Small and Medium Sized Enterprise (專精特新中小企業) of Jiangsu Province in 2023	2023	Jiangsu provincial government
Recognised as one of the “Internet facilitates the digital transformation of economy and society” featured case studies (“互聯網助力經濟社會數字化轉型”特色案例) on the 2023 China Internet Conference	2023	Internet Society of China
Big data innovative application achievement award (大數據創新應用成果獎)	2024	Wuxi Big Data Association
Top 20 edge computing enterprise	2024	Edge Computing Community

## CONTRACTUAL ARRANGEMENTS

### BACKGROUND OF THE CONTRACTUAL ARRANGEMENTS

The provision of IDC Solution Services and Edge Computing Services are subject to foreign investment restrictions under the current PRC laws and regulations. The provision of IDC Solution Services and Edge Computing Services falls within the scope of value-added telecommunication services.

As the principal activities of our Consolidated Affiliated Entities are to undertake IDC Solution Services and Edge Computing Services, our PRC Legal Adviser takes the view that the aforesaid activities comply with the laws and regulations in the PRC, provided that each of the relevant Consolidated Affiliated Entities shall possess an ICP Licence.

After consultation with our PRC Legal Adviser, we determined that it was not viable for our Company to hold Cloud Factory and its subsidiaries directly through equity ownership. Instead, we decided that, in line with common practice in industries subject to foreign investment restrictions in the PRC, we would gain effective control over the Consolidated Affiliated Entities and receive the economic benefits generated by the Consolidated Affiliated Entities through the Contractual Arrangements among, Wuxi Lingjingyun, Cloud Factory and the Registered Shareholders.

In order to comply with the PRC laws and regulations, while availing ourselves of international capital markets and maintaining effective control over all of our operations, we commenced a series of reorganisation steps. Pursuant to the Reorganisation, the agreements under the Contractual Arrangements were signed on 28 March 2023, whereby Wuxi Lingjingyun acquired effective control over the Consolidated Affiliated Entities and became entitled to the economic benefits derived from the operations of the Consolidated Affiliated Entities. As a result, we do not directly own any equity interest in Cloud Factory and its subsidiaries.

The consolidated revenue generated by the Consolidated Affiliated Entities was approximately RMB464.3 million, RMB548.8 million and RMB695.9 million for the years ended 31 December 2021, 2022 and 2023, respectively.

Our Directors believe that the Contractual Arrangements are narrowly tailored as they are used to enable our Group to conduct the business of providing value-added telecommunication services, which is subject to foreign investment restrictions under the current PRC laws and regulations. Our Directors also believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into among Wuxi Lingjingyun, Cloud Factory and its subsidiaries and the Registered Shareholders; (ii) by entering into the Exclusive Business Cooperation Agreements (獨家業務合作協議) (as defined below) with Wuxi Lingjingyun, a wholly-owned PRC subsidiary of our Company, Cloud Factory and its subsidiaries will enjoy better economic and technical support from us, as well as a better market reputation after the Listing; and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

## CONTRACTUAL ARRANGEMENTS

Further, our PRC Legal Adviser is of the opinion that in accordance with the provisions of the Company Law and the articles of association of the subsidiaries of Cloud Factory, Cloud Factory, as the sole shareholder or the controlling shareholder of the subsidiaries (as the case may be), is entitled to decide all material respects of the subsidiaries' operation and management. In addition, according to the Powers of Attorney (as defined below), the Registered Shareholders appoint Wuxi Lingjingyun and any person designated by Wuxi Lingjingyun as their proxy to manage their equity interests in Cloud Factory and exercise all their shareholder's rights in Cloud Factory on their behalf. Therefore, Wuxi Lingjingyun can control Cloud Factory through the Contractual Arrangements and our Group can eventually control the subsidiaries of Cloud Factory through Wuxi Lingjingyun. Based on the above, the Directors are of the view that the above arrangement can ensure the economic benefits generated from the operations of the Consolidated Affiliated Entities will flow to Wuxi Lingjingyun and hence, the Group as a whole, and can provide the same level of protection for the Shareholders as direct control over the subsidiaries of Cloud Factory.

### **Reason for adoption of the Contractual Arrangements**

According to the “Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition) (外商投資准入特別管理措施(負面清單) (2021版)”, value-added telecommunications business which fall within China's commitment to the WTO fall within the category of “restricted business for foreign investors restricted business”, and the shareholding ratio of foreign investors in such value-added telecommunications business shall not exceed 50% (excluding e-commerce, domestic multi-party communications, data collection and transmission services and call center). Internet data centre (IDC) business and content delivery network (CDN) business are value-added telecommunications business, and do not fall within the above-mentioned value-added telecommunications business which do not subject to foreign equity ratio restrictions. As such, the shareholding percentage of a foreign investor in companies engaged in IDC business and CDN business shall not exceed 50% (“**Foreign Ownership Restrictions**”).

### **Qualification Requirements under FITE Regulations**

According to the Administration of Foreign-funded Telecommunication Enterprises (外商投資電信企業管理規定) (amended in 2022 and became effective on 1 May 2022) (the “**FITE Regulations**”), the Qualification Requirements previously stipulated that a foreign investor who invests in a VATS in the PRC must possess prior experience in operating VATS and a proven track record of business operations has been cancelled and no longer be valid. Nonetheless, while a foreign investor is allowed to invest in an entity holding ICP Licence with less than 50% equity interest, it remains uncertain whether an entity held by foreign shareholders is allowed to hold an ICP Licence.



## CONTRACTUAL ARRANGEMENTS

### The narrowly tailored Contractual Arrangements

An officer (the “**Interviewed Officer**”) of the Institute of Industry and Planning of the China Academy of Information and Communications Technology (中國信息通信研究院產業與規劃研究所) (“**CAICT**”) was consulted on 30 August 2022 and 24 May 2023 on the matters relating to the FITE Regulations, the Qualification Requirements, and the Contractual Arrangements. We were advised by the officer of CAICT that:

1. the Institute of Industry and Planning of CAICT provides research support for the MIIT on industry policy and development plan, and consultation services relating to the interpretation of rules and regulations governing telecommunication services;
2. the IDC Solution Services and Edge Computing Services fall within the value-added telecommunication businesses and an ICP Licence is required. In particular, Cloud Factory and its subsidiaries shall hold the necessary ICP Licence to provide IDC Solution Services and Edge Computing Services;
3. while a foreign investor is allowed to invest in an entity holding ICP Licence relating to IDC business and CDN business with less than 50% equity interest, and the Qualification Requirements for a foreign investor have been cancelled, in actual circumstances, for domestic enterprises engaging in IDC-related business with foreign shareholdings, the value-added telecommunication competent authority will not approve the ICP Licence and therefore barrier exists for such enterprises to apply or extend ICP Licence;
4. the Contractual Arrangements require no approval from the MIIT, and the FITE Regulations amended in 2022 will not impact the validity of the Contractual Arrangements;
5. our Group has not received any enquiries or has not been subject to any penalties or punishments from MIIT or its relevant departments.

As discussed above, the Institute of Industry and Planning of CAICT provides research support for the MIIT on industry policy and development plan, and consultation services relating to the interpretation of rules and regulations governing telecommunication services. In addition, CAICT is responsible for accepting applications and preliminary examination for telecommunication business licences, interim and ex-post supervision of the compliance and implementation of telecommunications regulations and other MIIT’s requirements. The Interviewed Officer is the deputy director and senior engineer of the Institute of Industry and Planning of CAICT. Based on the above, our PRC Legal Adviser is of the view that the Interviewed Officer and the Institute of Industry and Planning of CAICT are competent to provide the confirmation concerning the telecommunication business policies.

Based on the consultations with CAICT and the advice from our PRC Legal Adviser, in order for our Group to carry out its current businesses in compliance with the PRC laws, all our Group’s entities must be held under the Contractual Arrangements due to the foreign ownership restriction.

## CONTRACTUAL ARRANGEMENTS

The following table set forth the principal businesses of the subsidiaries and Consolidated Affiliated Entities during the Track Record Period and before the Reorganisation:

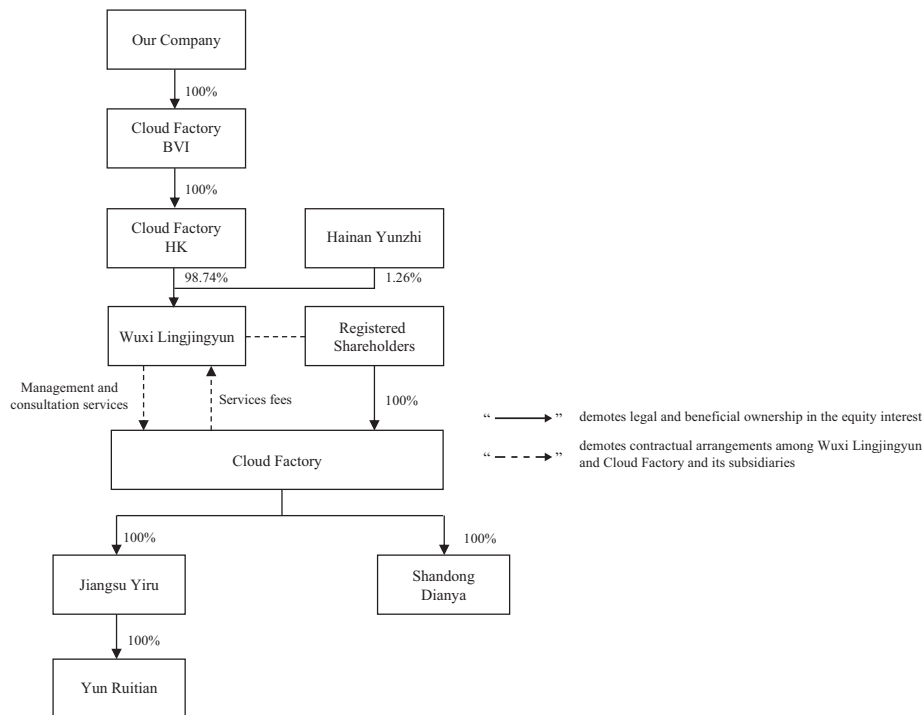
<u>Name of Company</u>	<u>Principal Businesses during the Track Record Period</u>	<u>Status within the Group after the Reorganisation</u>	<u>Principal Businesses after the completion of the Reorganisation</u>
Wuxi Lingjingyun	Provision of technical support and consultation in relation to the Contractual Arrangements	Subsidiary	Provision of technical support and consultation in relation to the Contractual Arrangements
Wuxi Xiankai	Provision of ICT Services and Other Services	Subsidiary	Provision of ICT Services and Other Services
Cloud Factory	Provision of IDC Solution Services, Edge Computing Services and ICT Services and Other Services	Consolidated Affiliated Entity	Provision of IDC Solution Services and Edge Computing Services
Shandong Dianya	Provision IDC Solution Services and ICT Services and Other Services	Consolidated Affiliated Entity	Provision IDC Solution Services
Shanghai Xiaojiang	Provision of ICT Services and Other Services	Subsidiary	Provision of ICT Services and Other Services
Jiangsu Yiru	Provisions of IDC Solution Services, Edge Computing Services and ICT Services and Other Services	Consolidated Affiliated Entity	Provisions of IDC Solution Services and Edge Computing Services
Yun Ruitian	Provision of IDC Solution Services	Consolidated Affiliated Entity	Provision of IDC Solution Services

The Reorganisation was completed after the Track Record Period. During the Reorganisation, Wuxi Xiankai and Shanghai Xiaojiang, the entities purely offering the ICT Services and Other Services were acquired as subsidiaries under Wuxi Lingjingyun, the WOFE, and became our Group subsidiaries, whereas Shandong Dianya, Jiangsu Yiru and Yun Ruitian were acquired by Cloud Factory as Consolidated Affiliated Entities. The operations of ICT Services and Other Services, which are not subject to foreign investment restrictions under the PRC laws and regulations, under Shandong Dianya, Jiangsu Yiru and Yun Ruitian were transferred to Wuxi Lingjingyun or its subsidiaries.

In light of the above, we are of the view that our Contractual Arrangements are narrowly tailored to minimise the potential conflict with the relevant PRC laws and regulations.

# CONTRACTUAL ARRANGEMENTS

## CONTRACTUAL ARRANGEMENTS



On 28 March 2023, we entered into the Contractual Arrangements. The Contractual Arrangements allow the financials and results of operations of our Consolidated Affiliated Entities to be consolidated into our financials and results of operations under IFRS as if they were wholly-owned subsidiaries of our Company.

Under the Contractual Arrangements, Jiangsu Yiru, Shandong Dianya and Yun Ruitian are directly or indirectly wholly-owned subsidiaries of Cloud Factory. In addition, in accordance with the provisions of the Company Law and the articles of association of the subsidiaries of Cloud Factory, Cloud Factory, as the sole shareholder or the controlling shareholder of the subsidiaries (as the case may be), is entitled to decide all material respects of the subsidiaries’ operation and management, including but not limited to (i) determining the subsidiaries’ operating policies and investment plans, (ii) appointing and removing directors and supervisors, (iii) approving a profit distribution plan and a loss recovery plan, (iv) increasing or reducing registered capital, amending articles of association and making decisions on merger, dissolution, liquidation or change of company structure and (v) exercising other rights provided in the articles of association. As such, Cloud Factory, at its sole discretion, can solely decide all matters of the subsidiaries in all material respects and thus can effectively control the subsidiaries.

## CONTRACTUAL ARRANGEMENTS

The Contractual Arrangements comprise (i) Exclusive Business Cooperation Agreements (as defined below); (ii) Exclusive Option Agreements (as defined below); (iii) Equity Pledge Agreements (as defined below); (iv) the Powers of Attorney (as defined below); and (v) undertaking by Mr. Sun, which, among other, include:

- under the Exclusive Business Cooperation Agreements (as defined below), granting Wuxi Lingjungyun the right to acquire any or all of the assets of business of Cloud Factory, and restricting Cloud Factory from the disposal, transfer and pledge of any assets and rights of which the value exceed RMB1 million
- under the Exclusive Option Agreements (as defined below), restricting Cloud Factory from disposing its assets and merging, consolidating, acquiring or investing without prior consent of Wuxi Lingjingyun, appointing or removing any directors, supervisors and senior management of Cloud Factory and its subsidiaries at the request of Wuxi Lingjingyun under the Exclusive Option Agreements (as defined below) and the undertakings and covenant under the agreement are also applicable to Cloud Factory's subsidiaries; and
- under the Powers of Attorney (as defined below), appointing Wuxi Lingjingyun to manage the Registered Shareholders' equity interest in Cloud Factory and exercise all shareholder's rights in Cloud Factory, including the voting rights in accordance with law and the constitutional documents of Cloud Factory and its subsidiaries, the voting rights at bankruptcy, liquidation, dissolution or termination of Cloud Factory, the right to sign any documents of Cloud Factory and its subsidiaries and the right to appoint and remove the legal representative, directors, supervisors, general manager and other chief executives of Cloud Factory.

Accordingly, our PRC Legal Adviser is of the view that Cloud Factory has acquired effective control over Jiangsu Yiru, Shandong Dianya and Yun Ruitian under the relevant PRC laws and regulations, and we are able to exert management control over the operations of the businesses conducted through Cloud Factory and its subsidiaries, and to enjoy all economic benefits from Cloud Factory and its subsidiaries. Based on the above, our PRC Legal Adviser is of the view that the Contractual Arrangements can provide sufficient safeguards of the interests of the Shareholders as a whole and the level of protection comparable to direct control over, and recourse against, the operating subsidiaries of Cloud Factory.

We will unwind and terminate the Contractual Arrangements wholly or partially once our businesses are no longer restricted from foreign investment under the PRC laws.

## CONTRACTUAL ARRANGEMENTS

### SUMMARY OF THE MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

A description of each of the specific agreements that comprise the Contractual Arrangements entered into among Wuxi Lingjingyun, Cloud Factory and its subsidiaries and the Registered Shareholders is set out below.

#### **Exclusive Business Cooperation Agreements** (《獨家業務合作協議》)

Under the Exclusive Business Cooperation Agreements dated 28 March 2023 and 26 September 2023 entered into among Wuxi Lingjingyun, Cloud Factory and its subsidiaries and the Registered Shareholders (the “**Exclusive Business Cooperation Agreements**”), in exchange for a monthly service fee, Cloud Factory and its subsidiaries agreed to engage Wuxi Lingjingyun as their exclusive service provider of technical support, consultation and other services, including but not limited to the following services:

- (1) provision of technical support and professional training services for relevant employees of Cloud Factory and/or its subsidiaries;
- (2) provision of business strategies and marketing consultation;
- (3) provision of procurement, sales and business management consultation;
- (4) provision of human resource management and consultation services;
- (5) provision of taxation and financial services;
- (6) providing business-related information system services;
- (7) provision of internal control services;
- (8) provision of consultation on technical and market information, information collection, market research, client relationship and public relations management;
- (9) provision of business development, strategic planning and project management consultations;
- (10) provision of marketing and promotional consultation services;
- (11) provision of equipment and asset rental, transfers and disposals services;
- (12) provision of related software and intellectual property licenses;
- (13) provision of development, system maintenance and update of relevant software application services;
- (14) design, implement, maintain and update of computer network systems, hardware equipment, web pages and database; and

## CONTRACTUAL ARRANGEMENTS

(15) other relevant services requested by Cloud Factory and/or its subsidiaries from time to time to the extent permitted under the PRC laws.

Under the Exclusive Business Cooperation Agreements, the service fees shall be the total consolidated profit of Cloud Factory after offsetting its or its subsidiaries' operating loss, if any, in the preceding year deduction of any operating costs, other expenses and relevant taxes.

During the term of the Exclusive Business Cooperation Agreements, Wuxi Lingjinyun shall enjoy the economic benefits and bear business risks arising from the operations of Cloud Factory and its subsidiaries.

In addition, in the absence of the prior written consent of Wuxi Lingjinyun, during the term of the Exclusive Business Cooperation Agreements, with respect to the services and other matters subject to the Exclusive Business Cooperation Agreements, Cloud Factory and/or its subsidiaries shall not enter into any same or similar exclusive business cooperation agreement with any third party, accept in any way, directly or indirectly, the same or any similar services provided by any third party and shall not establish cooperation relationships similar to that formed by the Exclusive Business Cooperation Agreements with any third party.

The Exclusive Business Cooperation Agreements also provide that Wuxi Lingjinyun has the sole and exclusive proprietary rights and interests in any and all intellectual property rights developed or created during the performance of the Exclusive Business Cooperation Agreements.

The Exclusive Business Cooperation Agreements were entered into on 28 March 2023 and 26 September 2023, respectively, and shall remain effective for 10 years therefrom, subject to Wuxi Lingjinyun's discretion to further renew its validity period. The Exclusive Business Cooperation Agreements may also be terminated in writing by Wuxi Lingjinyun 30 days in advance.

### **Exclusive Option Agreements (《獨家購買權協議》)**

Under the exclusive option agreement dated 28 March 2023 and 26 September 2023 among Wuxi Lingjinyun, Cloud Factory and its subsidiaries and the Registered Shareholders (the “**Exclusive Option Agreements**”), Cloud Factory and its subsidiaries and the Registered Shareholders agreed to grant Wuxi Lingjinyun an irrevocable and exclusive right to require (i) each of the Registered Shareholders to transfer any or all their equity interests in Cloud Factory; (ii) Cloud Factory to transfer any or all of the assets it held; (iii) Cloud Factory to transfer any or all their equity interests in any of its subsidiaries; and/or (iv) any of the subsidiaries of Cloud Factory to transfer any or all of the assets it held, to Wuxi Lingjinyun and/or a third party designated by Wuxi Lingjinyun, at any time and from time to time, at a consideration at RMB10 or at the lowest purchase price that is permitted by the PRC laws.

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Cloud Factory and its subsidiaries and the Registered Shareholders have covenanted that:

- (1) without the prior written consent of Wuxi Lingjingyun, they shall not in any manner supplement, change or amend the constitutional documents of Cloud Factory and its subsidiaries, increase or decrease its total share capital, or change the structure of its registered capital in other manner unless such act does not affect Wuxi Lingjingyun and/or a third party designated by Wuxi Lingjingyun an exclusive right to purchase;
- (2) they shall maintain corporate existence of Cloud Factory and its subsidiaries in accordance with good financial and business standards and practices, obtain and maintain all necessary government licences and prudently and effectively operate its business and handle its affairs;
- (3) without the prior written consent of Wuxi Lingjingyun, Cloud Factory and its subsidiaries shall not incur, inherit or guarantee any debt, except for (i) debts incurred in the ordinary course of business other than payables incurred by a loan; and (ii) debts that are already disclosed to Wuxi Lingjingyun and with the prior consent of Wuxi Lingjingyun;
- (4) Cloud Factory and its subsidiaries shall always operate all of its businesses in the ordinary course of business and refrain from any action/omission that may cause adverse effects on the operating status and asset value of Cloud Factory and its subsidiaries;
- (5) they shall provide Wuxi Lingjingyun with all information on business operations and financial conditions of Cloud Factory and its subsidiaries at the request of Wuxi Lingjingyun;
- (6) without the prior written consent of Wuxi Lingjingyun, they shall not cause or permit Cloud Factory and its subsidiaries to merge or consolidate with, acquire or invest in any person;
- (7) they shall immediately notify Wuxi Lingjingyun of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to assets, business, revenue of Cloud Factory and its subsidiaries and take all agreed remedial actions which is approved by Wuxi Lingjingyun to exclude or minimise the adverse effect against Cloud Factory and its subsidiaries;
- (8) to maintain the (i) ownership by Cloud Factory and its subsidiaries of all of their assets; (ii) ownership by the Registered Shareholders of the equity interest in Cloud Factory; and (iii) ownership by Cloud Factory of the equity interests in its subsidiaries, it shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;



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- (9) without the prior written consent of Wuxi Lingjingyun, Cloud Factory and its subsidiaries shall not in any manner distribute dividends to their shareholders;
- (10) at the request of Wuxi Lingjingyun, they shall appoint any persons designated by Wuxi Lingjingyun as the director, supervisors and senior management of Cloud Factory and its subsidiaries and/or remove any existing directors, supervisors and senior management of Cloud Factory and its subsidiaries; and
- (11) without the written consent of Wuxi Lingjingyun, Cloud Factory and its subsidiaries shall not engage in any business in competition with Wuxi Lingjingyun or its affiliates.

Cloud Factory and its subsidiaries have covenanted that:

- (1) without the prior written consent of Wuxi Lingjingyun, they shall not at any time following the signing of the Exclusive Option Agreements sell, transfer, pledge or dispose of in any manner any material assets, business, revenue or other legal or beneficial interest of Cloud Factory and its subsidiaries of more than RMB1,000,000 or permit the encumbrance thereon of any security interest;
- (2) without the prior written consent of Wuxi Lingjingyun, they shall not execute any material contract of more than RMB1,000,000 except the contracts executed in the ordinary course of business; and
- (3) without the prior written consent of Wuxi Lingjingyun, they shall not provide any person with any loan or provide any guarantee for the debts of any third party.

In addition, Cloud Factory and the Registered Shareholders have covenanted that:

- (1) without the prior written consent of Wuxi Lingjingyun, they shall not sell, transfer, pledge or dispose of in any other manner their legal or beneficial interest in Cloud Factory and its subsidiaries, or allow the encumbrance thereon of any security interest, except for the Exclusive Option Agreements, the Equity Pledge Agreements, and the interests prescribed in the Powers of Attorney (as defined below) entered between the Wuxi Lingjingyun with Wuxi Bangtai, Jiangsu Hanju, Cloud Factory respectively, and procure the shareholders' meeting and the board of directors of Cloud Factory and its subsidiaries not to approve such matters;
- (2) at any time at the request of Wuxi Lingjingyun to exercise the equity purchase option and the asset purchase option, Cloud Factory shall immediately transfer its shares in its subsidiaries, and any of the Registered Shareholders shall immediately transfer his/their shares of Cloud Factory, to Wuxi Lingjingyun or its designated person(s), and any Registered Shareholder and Cloud Factory shall waive any pre-emptive right that they are entitled (if any); and

## CONTRACTUAL ARRANGEMENTS

- (3) Cloud Factory and each of the Registered Shareholders will transfer to Wuxi Lingjingyun or its appointee(s) at a consideration of RMB10 or at the lowest purchase price that is permitted by the PRC laws any profit, interest, dividend or proceeds received from liquidation in accordance with the PRC laws and after the payment of any tax required under the relevant laws.

The Registered Shareholders or Cloud Factory and its subsidiaries shall return to Wuxi Lingjingyun or any person designated by Wuxi Lingjingyun, all the consideration that they receive in the event that Wuxi Lingjingyun exercises options under the Exclusive Option Agreements to acquire the equity interests in and/or the assets held by Cloud Factory and its subsidiaries.

The Exclusive Option Agreements were entered into on 28 March 2023 and 26 September 2023 and shall remain effective for 10 years therefrom, subject to Wuxi Lingjingyun's discretion to further renew its validity period. The Exclusive Option Agreements may also be terminated in writing by Wuxi Lingjingyun 30 days in advance.

### **Equity Pledge Agreements** (《股權質押協議》)

Under the equity pledge agreement dated 28 March 2023 and 26 September 2023 entered into among Wuxi Lingjingyun, Cloud Factory and its subsidiaries, Jiangsu Hanju and Wuxi Bangtai, being two of the Registered Shareholders, (the “**Equity Pledge Agreements**”), Cloud Factory, Jiangsu Hanju and Wuxi Bangtai agreed to pledge all their respective equity interests in Cloud Factory and its subsidiaries that they own, including any dividend or other benefits arising therefrom, to Wuxi Lingjingyun as a charge to guarantee the performance of contractual obligations under the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements and the Powers of Attorney (as defined below).

The pledge in respect of (i) Cloud Factory; (ii) Shandong Dianya; (iii) Jiangsu Yiru; and (iv) Yun Ruitian took effect upon the completion of registration with relevant administration for industry and commerce on 25 May 2023, 8 October 2023, 7 October 2023 and 9 October 2023, respectively, and shall remain valid until after: (1) all the contractual obligations under the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements and the Powers of Attorney (as defined below) and the Equity Pledge Agreements have been fully performed or unanimously terminated by Cloud Factory and its subsidiaries and each of the Registered Shareholders; and (2) all the costs and debts to be borne by the Registered Shareholders and Cloud Factory and its subsidiaries thereunder have been fully paid. The Equity Pledge Agreements were entered into on 28 March 2023 and 26 September 2023 and shall remain effective before the termination of the Equity Pledge Agreements. The Equity Pledge Agreements may also be terminated in writing mutually.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreements), Wuxi Lingjingyun shall be compensated for all the losses it suffered due to such default, and Wuxi Lingjingyun shall upon written notice to Cloud Factory and/or the Registered Shareholders have the right to exercise all such rights as a party suffering breach of contract under any applicable PRC laws.

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### **Powers of Attorney (《授權委託書》)**

Cloud Factory, Wuxi Lingjingyu and Wuxi Bangtai and Jiangsu Hanju, respectively, have executed the powers of attorney (the “**Powers of Attorney**”) on 28 March 2023 and 26 September 2023.

Under the Powers of Attorney, Cloud Factory, Wuxi Bangtai and Jiangsu Hanju, respectively, covenanted that, they irrevocably appoint Wuxi Lingjingyun and any person designated by Wuxi Lingjingyun to manage their equity interest in Cloud Factory and/or its subsidiaries and exercise all shareholder’s rights in Cloud Factory and/or its subsidiaries.

Each of Wuxi Bangtai and Jiangsu Hanju has agreed that in the event of their insolvency, liquidation, de-registration or any other event which causes changes of their ownership of Cloud Factory, their successors and liquidators shall be entitled to and bound by their rights, obligations and liabilities under the Powers of Attorney.

Cloud Factory has agreed that (i) in the event of its insolvency, liquidation or any other event which causes change of its ownership of its subsidiaries, its successors management or liquidators (if any) shall be entitled to and bound by its rights, obligations and liabilities under the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements and the Equity Pledge Agreements; and (ii) unless approved by Wuxi Lingjingyun in writing, the voluntary arrangements and other legal instruments entered into by Cloud Factory shall not contain any provision that contravenes the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements and the Equity Pledge Agreements.

Under the Powers of Attorney, Cloud Factory, Wuxi Bangtai and Jiangsu Hanju, respectively, irrevocably appointed Wuxi Lingjingyun, its successors and any of its liquidators (if any), or its designated person(s) (including Directors and their successors and liquidator (if any)), or its designated person(s) (including Directors and their successors and liquidators replacing the Directors) as their attorneys-in-fact to exercise on their behalf, including but not limited:

- (1) to exercise all shareholder’s rights and shareholder’s voting rights in accordance with law and the constitutional documents of Cloud Factory and its subsidiaries, including but not limited to the right to dividends, and the sale, transfer, pledge or disposal or any or all of the equity interests in Cloud Factory and its subsidiaries;
- (2) to serve as an authorised representative to appoint and remove the legal representative, directors, supervisors, general manager and other chief executives of Cloud Factory and its subsidiaries;
- (3) to exercise the shareholders’ voting rights at the bankruptcy, liquidation, dissolution or termination of Cloud Factory and its subsidiaries;
- (4) to sign any documents, including without limitation to minutes of shareholders’ meeting of Cloud Factory and its subsidiaries; and

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- (5) to exercise other rights pursuant to the constitutional documents of Cloud Factory and its subsidiaries.

The authorisation under the Powers of Attorney by Wuxi Bangtai and Jiangsu Hanju, respectively, shall not cause a conflict of interest between Cloud Factory and its subsidiaries and Wuxi Lingjingyun. If a potential conflict of interest arises between Cloud Factory and its subsidiaries on one hand, and Wuxi Lingjingyun, on the other, Wuxi Bangtai and Jiangsu Hanju, respectively, shall not harm the interests of Wuxi Lingjingyun. Where any of the partners of Wuxi Bangtai or Shareholders of and Jiangsu Hanju serve as the director or senior management of our Company, Wuxi Bangtai or Jiangsu Hanju shall assign all rights and obligations under the Powers of Attorney to our Company or authorise other directors or senior management members of our Company appointed by Wuxi Lingjingyun. In case of conflict of interest, Wuxi Bangtai and Jiangsu Hanju, respectively, shall support the rights of Wuxi Lingjingyun and perform or act per Wuxi Lingjingyun's reasonable requests. Without the prior written consents from Wuxi Lingjingyun, each of Wuxi Bangtai and Jiangsu Hanju or their associated companies shall not directly or indirectly participate in, engage in, be involved in or own, or use the information obtained from Cloud Factory to participate in, engage in, be involved in or own, any business which potentially competes with Cloud Factory, Cloud Factory's Affiliates or its business. If conflicts arise, the Registered Shareholders will act in the legitimate and best interests of Wuxi Lingjingyun.

The authorisation under the Powers of Attorney by Cloud Factory and Jiangsu Yiru shall not cause a conflict of interest between Cloud Factory's subsidiaries and Wuxi Lingjingyun. If a potential conflict of interest arises between Cloud Factory's subsidiaries on one hand, and Wuxi Lingjingyun, our Company or its subsidiaries on the other, Cloud Factory shall not harm the interests of Wuxi Lingjingyun or our Company. Where any of the Shareholders of Cloud Factory and/or Jingsu Yiru serves as the director or senior management of our Company, Cloud Factory and/or Jiangsu Yiru shall assign all rights and obligations under the Powers of Attorney to our Company or authorise other directors or senior management members of our Company appointed by Wuxi Lingjingyun. In case of conflict of interest, Cloud Factory and/or Jiangsu Yiru shall support the rights of Wuxi Lingjingyun and perform or act per Wuxi Lingjingyun's reasonable requests. Without the prior written consents from Wuxi Lingjingyun, Cloud Factory and/or Jiangsu Yiru shall not directly or indirectly participate in, engage in, be involved in or own, or use the information obtained from Cloud Factory's subsidiaries to participate in, engage in, be involved in or own, any business which potentially competes with its subsidiaries or its subsidiaries' Affiliates or their business. If conflicts arise, Cloud Factory and Jingsu Yiru will act in the legitimate and best interests of Wuxi Lingjingyun.

The Powers of Attorney shall be irrevocable and remain effective until the Exclusive Business Cooperation Agreements, Exclusive Option Agreements and Equity Pledge Agreements are terminated or Wuxi Lingjingyun informs Cloud Factory, Wuxi Bangtai and Jiangsu Hanju, respectively, in writing the termination of the Powers of Attorney.

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### **Undertaking by Mr. Sun**

Mr. Sun has confirmed to the effect that (i) his spouse (where applicable) does not own and does not have the right to claim any interests in the equity interest of Cloud Factory (together with any other interests therein); (ii) where applicable, in the event of his death, incapacity, bankruptcy, divorce, or any other event which causes his inability to exercise his rights as a shareholder of Cloud Factory, his successors including his spouse, will not, under any circumstance and in any way, take any action, when such action may affect or hinder himself in performing his obligations under the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements, the Equity Pledge Agreements, the Powers of Attorney; (iii) he will not directly or indirectly participate in, engage in, hold interest of or profit from any competing business or potentially competing business by utilising any information obtained in the operation of Cloud Factory and its subsidiaries; (iv) in case of potential or actual conflict of interest with Cloud Factory, Wuxi Lingjingyun or their associated companies, he will not cause any adverse impact on Cloud Factory, Wuxi Lingjingyun and their associated companies and will use his best endeavour to eliminate such conflicts in time; and (v) in case he assume directorship or senior management roles of Wuxi Lingjingyun and its associated companies, he shall assign all rights and obligations under the Powers of Attorney to Wuxi Lingjingyun or other directors or senior management members designated by Wuxi Lingjingyun.

### **Dispute Resolution**

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the interpretation and/or performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the China International Economic and Trade Arbitration Commission, in accordance with the then effective arbitration rules. The language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that subject to the PRC laws and regulations and the then situation, the arbitral tribunal may award remedies over the shares or assets of Cloud Factory and/or its subsidiaries, including compensation, injunctive relief (including but not limited to injunctive relief relating to the conduct of business), or order the winding up of Cloud Factory and/or its subsidiaries; any party may apply to the courts of Beijing (being the place of incorporation of Cloud Factory), Hong Kong and the Cayman Islands (being the place of incorporation of our Company) and the places where the principals assets of Cloud Factory and/or its subsidiaries are located, for interim remedies or injunctive relief, to support the carrying out of arbitration.

However, our PRC Legal Adviser has advised that parts of the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal may be unable to enforce such dispute resolution provisions. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC.

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As a result of the above, in the event that Cloud Factory or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entities and conduct our business could be materially and adversely affected. For details, please refer to the paragraph headed “Risk Factors — Risks Related to our Contractual Arrangements” in this prospectus.

### **Loss Sharing**

As advised by our PRC Legal Adviser, under the relevant PRC laws and regulations, none of our Company and Wuxi Lingjingyun is legally required to share the losses of, or provide financial support to, our Consolidated Affiliated Entities. Further, our Consolidated Affiliated Entities are limited liability companies and shall be solely liable for their own debts and losses with assets and properties owned by them. Wuxi Lingjingyun intends to continuously provide to or assist our Consolidated Affiliated Entities in obtaining financial support when deemed necessary. In addition, given that our Group conducts all of our business operations in the PRC through our Consolidated Affiliated Entities, which hold the requisite PRC operational licences and approvals, and that their financial positions and results of operations are consolidated into our Group’s financial statements under the applicable accounting principles, our Company’s business, results of operations and financial condition would be adversely affected if our Consolidated Affiliated entities suffer losses.

However, as provided in the Exclusive Option Agreements, without the prior written consent of Wuxi Lingjingyun, Cloud Factory and its subsidiaries shall not, among others (i) sell, transfer, pledge, or dispose of in any manner any of its assets of more than RMB1,000,000; (ii) execute any material contract with a value above RMB1,000,000, except those entered into in the ordinary course of business; (iii) provide any loan, credit or guarantees in any form to any third party; (iv) incur, inherit, guarantee or allow any debt that is not incurred in the ordinary course of business; (v) enter into any consolidation or merger with any third party, or being acquired by or invest in any third party; and (vi) increase or reduce its registered capital, or alter the structure of the registered capital in any other way. Therefore, due to the relevant restrictive provisions in the agreement, the potential adverse effect on Wuxi Lingjingyun and our Company in the event of any loss suffered from Cloud Factory and its subsidiaries can be limited to a certain extent.

### **Insurance**

There are certain risks involved in our operations, in particular, those relating to our corporate structure and the Contractual Arrangements. For details, please refer to the paragraph headed “Risk Factors — Risks Related to our Contractual Arrangements” in this prospectus. We have determined that the costs of insurance for the risks associated with business liability or disruption and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Accordingly, as at the Latest Practicable Date, we did not purchase any insurance to cover the risks relating to the Contractual Arrangements.

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### **Liquidation**

Pursuant to the Exclusive Option Agreements, in the event of mandatory liquidation required by the PRC laws, Cloud Factory and the Registered Shareholders have undertaken that in the event of a dissolution or liquidation, all of the remaining assets of Cloud Factory shall be transferred to Wuxi Lingjingyun and/or a third party designated by Wuxi Lingjingyun at the lowest purchase price that is permitted by the PRC law.

### **Our Confirmation**

As at the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating the IDC Solution Services and Edge Computing Services through our Consolidated Affiliated Entities under the Contractual Arrangements.

### **LEGALITY OF THE CONTRACTUAL ARRANGEMENTS**

Based on the above, our PRC Legal Adviser is of the opinion that:

- (a) parties to each of the Contractual Arrangements have obtained all necessary approvals and authorisations to execute and perform the Contractual Arrangements;
- (b) parties to each of the Contractual Arrangements are entitled to execute the agreements and perform their respective obligations thereunder. Each of the Contractual Arrangements is binding on the parties thereto and none of them would fall within the circumstances as stipulated in the PRC Civil Code (中華人民共和國民法典) which render the arrangements invalid under the PRC Civil Code;
- (c) none of the Contractual Arrangements violates any provisions of the articles of association of Cloud Factory and its subsidiaries or Wuxi Lingjingyun;
- (d) parties to each of the Contractual Arrangements are not required to obtain any approvals or authorisations from the PRC governmental authorities, except that:
  - (i) the exercise of the option by Wuxi Lingjingyun of its rights under the Exclusive Option Agreements to acquire all or part of the equity interests in Cloud Factory and its subsidiaries is subject to the approvals of and/or registrations with the PRC regulatory authorities;
  - (ii) any share pledge contemplated under the Share Pledge Agreements is subject to the registration with local market supervision administration; and
  - (iii) the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognised by PRC courts before compulsory enforcement.



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- (e) each of the agreements conferring significant control and economic benefits from the Consolidated Affiliated Entities is enforceable under the relevant laws and regulations including but not limited to the Foreign Investment Law and the Foreign Investment Negative List, except for the following provisions regarding dispute resolution and the liquidation committee:
- (i) the Contractual Arrangements provide that any dispute shall be submitted to China International Economic and Trade Arbitration Commission for arbitration in Beijing, in accordance with the then effective arbitration rules. The language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that subject to the PRC laws and regulations and the then situation, the arbitral tribunal may award remedies over the shares or assets of Cloud Factory and/or its subsidiaries, including compensation, injunctive relief (including but not limited to injunctive relief relating to the conduct of business), or order the winding up of Cloud Factory and/or its subsidiaries; any party may apply to the courts of Beijing (being the place of incorporation of Cloud Factory), Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and the places where the principal assets of Cloud Factory and/or its subsidiaries are located, for interim remedies or injunctive relief, to support the carrying out of arbitration; and
  - (ii) the Contractual Arrangements provide that the shareholders of Cloud Factory and its subsidiaries undertake to appoint a committee designated by Wuxi Lingjingyun as the liquidation committee upon the winding up of Cloud Factory and its subsidiaries to manage their assets. However, in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation, these provisions may not be enforceable under PRC Laws.

Based on the above and the Consultations, the PRC Legal Adviser is of the view that the adoption of the Contractual Arrangements does not constitute a breach or violation of any of the current applicable PRC laws and regulations and that the Contractual Arrangements will not be deemed ineffective or invalid and will not result in any administrative proceedings or penalties on us.

However, as advised by our PRC Legal Adviser, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC governmental authorities will not in the future take the view that is contrary to the above opinions of our PRC Legal Adviser. For details, please refer to the paragraph headed “Risk Factors — Risks Related to our Contractual Arrangements — Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and the Implementation Rules and how they may impact the viability of our current corporate structure, corporate governance and business operations” in this prospectus.

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Based on the above analysis and advice from our PRC Legal Adviser, the Directors are of the view that the Contractual Arrangements are enforceable under the relevant laws and regulations in the PRC and not likely to be challenged by the relevant authorities in the PRC. Our PRC Legal Adviser is of the view that the CAICT and the personnel consulted in the interviews were competent in interpreting the relevant regulations and rules of the PRC for the IDC Solution Services. We are also advised by our PRC Legal Adviser that the transfer of economic benefits from our Consolidated Affiliated Entities to Wuxi Lingjingyun and the pledging of the entire equity interest held by the Registered Shareholders in Cloud Factory and that held by Cloud Factory in its subsidiaries to Wuxi Lingjingyun under the Contractual Arrangements would not be deemed a violation of the relevant PRC laws and regulations.

We are aware of a Supreme People's Court ruling (the "**Supreme People's Court Ruling**") made in October 2021 and two arbitral decisions from the Shanghai International Economic and Trade Arbitration Commission made in 2010 and 2012 which invalidated certain contractual arrangements for the reason that the entry into of such agreements with the intention of circumventing foreign investment restrictions in the PRC contravene the prohibition against "concealing an illegitimate purpose under the guise of legitimate acts" set out in Article 52 of the PRC Contract Law (中華人民共和國合同法) and the General Principles of the PRC Civil Law. It has been further reported that these court rulings and arbitral decisions may increase (i) the possibility of the PRC courts and/or arbitration panels taking similar actions against contractual arrangements commonly adopted by foreign investors to engage in restricted or prohibited businesses in the PRC; and (ii) the incentive for the registered shareholders under such contractual arrangements to renege on their contractual obligations.

Pursuant to Article 52 of the PRC Contract Law, a contract is void, among other circumstances, where an illegitimate purpose is concealed under the guise of legitimate acts; our PRC Legal Adviser is of the view that the agreements under the Contractual Arrangements would not be deemed as "concealing illegal intentions with a lawful form" under Article 52 of the PRC Contract Law for the following reasons: (a) the parties to the Contractual Arrangements have the right to enter into contracts in accordance with their own wishes and no person may illegally interfere with such right; and (b) the purpose of the Contractual Arrangements is not to conceal illegal intentions, but to pass the economic interests received by our Consolidated Affiliated Entities to our Company.

Furthermore, the PRC Civil Code came into effect on 1 January 2021 and the PRC Contract Law and the General Principles of the PRC Civil Law were repealed simultaneously. The PRC Civil Code no longer specifies the "concealing illegal intentions with a lawful form" as the statutory circumstances of a void contract but stipulates certain circumstances which will lead to the invalidation of civil juristic acts, including but not limited to a civil juristic act performed by a person having no capacity for civil conducts, a civil juristic act performed by the actor and the counterparty based on the false expression of intention, a civil juristic act violates of public order and morals. The provisions on the validity of civil juristic acts also apply to the validity of

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contracts. Our PRC Legal Adviser is of the view that the Contractual Arrangements would not fall within the above circumstances which will lead such arrangements as invalid civil juristic acts under the PRC Civil Code.

Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Company, a waiver has been sought from and has been granted by the Stock Exchange. For details, please refer to the section headed “Connected Transactions” in this prospectus.

### **Accounting Aspects of the Contractual Arrangements**

#### *Consolidation of Financial Results of our Consolidated Affiliated Entity*

Under the Exclusive Business Cooperation Agreements, it was agreed that, in consideration of the services provided by Wuxi Lingjingyun, Cloud Factory and its subsidiaries will pay service fees to Wuxi Lingjingyun. The service fees shall be the total consolidated profit of Cloud Factory after the deduction of any minority interest, operating costs, depreciation, other expenses and relevant taxes. Accordingly, Wuxi Lingjingyun has the ability, at its sole discretion, to extract the economic benefits of Cloud Factory (and its subsidiaries on a consolidated basis) through the Exclusive Business Cooperation Agreements.

In addition, under the Exclusive Option Agreements, Wuxi Lingjingyun has absolute contractual control over the distribution of dividends or any other amounts to the Registered Shareholders and Cloud Factory as Wuxi Lingjingyun’s prior written consent is required before any distribution can be made.

As a result of these Contractual Arrangements, our Company has obtained control of Cloud Factory (and its subsidiaries on a consolidated basis) through Wuxi Lingjingyun and, at our Company’s sole discretion, can receive the economic interest returns generated by our Consolidated Affiliated Entities. Accordingly, our Consolidated Affiliated Entities’ results of operations, assets and liabilities, and cash flows are consolidated into our Company’s financial statements.

In this regard, our Directors consider that our Company can consolidate the financial results of our Consolidated Affiliated Entities, excluding the minority interest, into our Group’s financial information as if they were our Company’s subsidiaries. The basis of consolidating the results of our Consolidated Affiliated Entities is disclosed in note 2 to the Accountants’ Report in Appendix I to this prospectus.

### Development in the PRC Legislation on Foreign Investment

#### *The Foreign Investment Law (2019)*

The Foreign Investment Law (《中華人民共和國外商投資法》) was adopted at the 2<sup>nd</sup> Session of the 13<sup>th</sup> NPC of the PRC on 15 March 2019 and came into force on 1 January 2020. On 26 December 2019, the State Council issued the Implementation Rules (《中華人民共和國外商投資法實施條例》), which came into effect on 1 January 2020.

The Foreign Investment Law stipulates the implementation of the management systems of pre-establishment national treatment and “negative list” for foreign investment. The “negative list”, which was issued by the MOFCOM and the NDRC, refers to special administrative measures for access of foreign investment in specific fields in China. A foreign investor shall not invest in any field in the “negative list” which is prohibited from foreign investment. A foreign investor shall meet the investment conditions stipulated under the “negative list” for any field in the “negative list” which is restricted from foreign investment. Concerning fields not mentioned in the “negative list”, management shall be conducted under the principle of consistency of domestic and foreign investment. The Foreign Investment Law does not contain or quote the stipulation of the “negative list”.

Unlike the 2015 draft foreign investment law (which did not come into effect), the definition of “foreign investors” in Foreign Investment Law and its implementing regulations includes foreign natural persons, enterprises and other organisations, which does not include enterprises incorporated within the territory of China in accordance with Chinese laws but controlled by foreign natural persons or entities.

Moreover, the Foreign Investment Law and its implementing regulations do not stipulate that the “foreign investment” as defined thereunder shall include contractual arrangements. Instead, it adds a catch-all provision to the definition of foreign investment so that foreign investment, by its definition, includes “investments through other means stipulated under the laws or administrative regulations or by the State Council” without elaboration on “other means”.

Our Company will, after the Listing, timely announce (i) any updates or material changes to any ancillary regulations or implementation rules of the Foreign Investment Law (2019) that will materially and adversely affect us as and when they occur and (ii) in the event that any ancillary regulations or implementation rules of the Foreign Investment Law (2019) or any new foreign investment law has been promulgated, a clear description and analysis of law, specific measures adopted by our Company to comply with the law, as well as its material impact on our business operation and financial position.

### **Development in the PRC Legislation relating to Overseas Listing**

On 24 December 2021, the CSRC, together with other relevant government authorities in China issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》), and the Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《境內企業境外發行上市備案管理辦法(徵求意見稿)》) (collectively the “**Draft Listing Regulations**”).

According to the Draft Listing Regulations, PRC domestic companies that seek to offer and list securities in overseas markets, either by direct or indirect means (such as ours), are required to fulfill the filing procedure with the CSRC and report relevant information. The Draft Listing Regulations also proposed a number of regulatory requirements for listing applicants adopting a variable interest entity (“**VIE**”) structure through contractual arrangements, including but not limited to the circumstances under which overseas listing was prohibited by the PRC laws, regulations and relevant provisions in relation to foreign investment, cybersecurity, data security, corporate governance, financial and accounting practices, the planned use of proceeds, and confidentiality duty that listing applicants shall comply. Where an issuer submits an application for an initial public offering to competent overseas regulators, the issuer must submit to the CSRC filing documents within three working days after such application is submitted. The Draft Listing Regulations also required subsequent reports to the CSRC on material events, such as material change in principal business and change of control.

On 17 February 2023, the CSRC issued relevant rules, including the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and the Regulatory Rule Applicable Guidelines (《監管規則適用指引》) (hereafter collectively referred to as the “**Listing Regulations**”, which became effective on 31 March 2023), which provided that the CSRC will regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities by adopting a filing-based regulatory regime. Where an issuer seeks overseas public offering or listing, the issuer must submit to the CSRC filing documents within three working days after such application is submitted. In case of material changes in the principal business or business licence and change of control after the filing, the filing materials must be updated within three working days after such changes. As confirmed by our PRC Legal Adviser, we will complete the filing procedures with the CSRC according to the Listing Regulations.

According to the Listing Regulations, domestic enterprises seeking overseas offering and listing shall strictly abide by relevant requirements of laws and regulations on foreign investment, cybersecurity and data security. For industries which are specifically prohibited from listing by laws, administrative regulations or state regulations, overseas offering and listing are strictly prohibited. For enterprises seeking overseas listing through contractual arrangement (agreement control) structures, the following specific statements should be made: 1) whether there are any domestic laws, administrative regulations and relevant regulations clearly providing that business, licences, qualifications shall not be controlled in form of agreements or contractual arrangements;

## CONTRACTUAL ARRANGEMENTS

2) whether the domestic operating entity controlled by way of variable interest entity structure arrangement falls within the scope of foreign investments security reviews and is involved in areas in which the foreign investments are restricted or prohibited.

In addition, on 27 December 2021, the NDRC and the MOFCOM published the latest Foreign Investment Negative List. Article 6 of the Interpretation Note of the Negative List (2021) (“**Article 6**”) provides that “where a domestic enterprise engaged in the business in the prohibited areas of the Negative List (2021) on Access to Foreign Investment seeks to issue and list its shares overseas (“**Overseas Issuance and Listing by a Domestic Enterprise under Negative List (2021)**”), it shall complete the examination process and obtain approval of the relevant competent authorities of the State, the foreign investor shall not participate in the operation and management of the enterprise, and its shareholding percentage shall be subject to the relevant provisions on the administration of domestic securities investment by foreign investors.” Because the business of the Group is in the restricted areas of the Negative List (2021) instead of the prohibited areas, Article 6 would not apply to the Group’s Listing and the Group is not required to obtain governmental approval regarding the Listing.

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

### **Impact of Foreign Investment Law on Contractual Arrangements**

Our PRC Legal Adviser is of the view that since contractual arrangements are not specified as foreign investments under the Foreign Investment Law and its implementing regulations and if there is no applicable law or regulation that explain other means of foreign investment under the Foreign Investment Law, or if other means of foreign investment are not specified under applicable laws or regulations to include contractual arrangements, it is unlikely that the Contractual Arrangements will be deemed as “foreign investments” under the Foreign Investment Law and its implementing regulations and therefore the Contractual Arrangements is valid, legal and binding under PRC law. For details, please refer to the paragraph headed “— Legality of the Contractual Arrangements” of this section.

If the operation of the relevant business is not on the “negative list” and we can legally operate such business under PRC laws, Wuxi Lingjingyun will exercise the option right under the Exclusive Option Agreements to acquire the equity interest of Cloud Factory and/or its subsidiaries and unwind the Contractual Arrangements subject to re-approval by the relevant authorities.

If the provision of our IDC Solution Services and Edge Computing Services is on the “negative list”, unless applicable laws or regulations define contractual arrangements as one of the “other means” of foreign investment, the probability that Contractual Arrangements are deemed as “foreign investment” under the Foreign Investment Law and be regulated by relevant authorities on accordance with the requirements of the “negative list”, which results in the Contractual Arrangements being deemed as invalid or being required to meet the requirements of the “negative list” is low.



## CONTRACTUAL ARRANGEMENTS

In order to comply with the PRC laws and regulations, the Group implemented the Contractual Arrangements to allow the Company to gain effective control over, and receive substantially all the economic benefits generated by the business currently operated by Cloud Factory. In that regard, If there are no other promulgated national laws, administrative regulations or administrative rules prohibiting or restricting the operation of or affecting the legality of the Contractual Arrangements, the Directors, the Sole Sponsor and our PRC Legal Adviser are of the view that, as at the Latest Practicable Date, the Foreign Investment Law and the recent developments in the regulations on foreign investment in the PRC will not have any material adverse impact on the Group's business operations as well as the Contractual Arrangements and each of the agreements under the Contractual Arrangements, and the legality and validity of the Contractual Arrangements would not be affected and therefore, the adoption of a VIE structure through contractual arrangements would not constitute a legal obstacle to the Company's proposed Listing as at the Latest Practicable Date and the Contractual Arrangement will continue to be legal, valid and binding on the parties.

As there are no other related ancillary regulations or implementing rules of the Foreign Investment Law defining other means of foreign investment, the interpretation and implementation of the Foreign Investment Law might differ from our understanding. If there are other related regulations defining other means of foreign investment to include contractual arrangements, the laws and regulations above will not only apply to our Company and Cloud Factory and its subsidiaries, but also apply to other entities which operate under Contractual Arrangements. For details, please refer to the paragraph headed "Risk Factors — Risks Related to our Contractual Arrangements — Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and the Implementation Rules and how they may impact the viability of our current corporate structure, corporate governance and business operations" in this prospectus.

Subsequent to our filing application submitted to the CSRC in accordance with the Overseas Listing Trial Measures, the CSRC published the notification on our completion of the required filing procedures on 2 April 2024. As at the Latest Practicable Date, no further inquiries or notices, or any warnings, sanctions or other concerns were given or raised by the CSRC regarding the Contractual Arrangements.

### **Compliance with the Contractual Arrangements**

Our Company has adopted the following measures to ensure the effective operation of our Company with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (ii) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;



## CONTRACTUAL ARRANGEMENTS

- (iii) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and
- (iv) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board in reviewing the implementation of the Contractual Arrangements, review the legal compliance of Wuxi Lingjingyun and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

## CONNECTED TRANSACTIONS

### CONNECTED TRANSACTIONS

We have entered into certain agreements under the Contractual Arrangements with parties that will be our connected persons (as defined under Chapter 14A of the Listing Rules). Following the Listing, the transactions contemplated under such agreements will constitute our continuing connected transactions under the Listing Rules.

### CONNECTED PERSONS

Following the Listing, the following parties, which have entered into certain written agreements with our Group under the Contractual Arrangements, will be connected persons of our Group:

<u>Name</u>	<u>Connected Relationship</u>
Mr. Sun	an executive Director and a Controlling Shareholder of our Company
Jiangsu Hanju	Mr. Sun's associate holding 76.1% equity interest in Cloud Factory
Wuxi Bangtai	Mr. Sun's associate holding 23.9% equity interest in Cloud Factory

### CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions of our Group which are subject to reporting, annual review, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **The Contractual Arrangements**

##### *Background for the Contractual Arrangements*

As referred to the section headed "Contractual Arrangements" in this prospectus, due to regulatory restrictions on foreign ownership in the PRC, we conduct our business operations indirectly in the PRC through our Consolidated Affiliated Entities while complying with applicable PRC laws and regulations. Through the Contractual Arrangements, we exercise effective control over the Consolidated Affiliated Entities. The Contractual Arrangements enable us to (i) receive the economic benefits generated by the Consolidated Affiliated Entities; (ii) exercise effective control over the Consolidated Affiliated Entities; and (iii) hold an irrevocable and exclusive right to require (1) each of the Registered Shareholders to transfer any or all their equity interests in Cloud Factory; (2) Cloud Factory to transfer any or all of the assets it held; (3) Cloud Factory to transfer any or all their equity interests in any of its subsidiaries; and/or (4) any of the subsidiaries of Cloud Factory to transfer any or all of the assets it held, to Wuxi Lingjingyun and/or a third party designated by it, at any time and from time to time, at the lowest purchase price that is permitted by the PRC laws. For details, please refer to the section headed "Contractual Arrangements" in this prospectus.

## CONNECTED TRANSACTIONS

The transactions contemplated under the Contractual Arrangements are continuing connected transactions of our Company and are subject to reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### *Principal terms of the transactions*

The Contractual Arrangements comprise the following agreements: Exclusive Business Cooperation Agreements, Powers of Attorney, Exclusive Option Agreements, Equity Pledge Agreements and spousal undertakings by the respective spouse of the individual Registered Shareholder. Such agreements and the continuing connected transactions (contemplated thereunder are referred to in the section headed "Contractual Arrangements" in this prospectus.

### *Listing rules implications*

The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions associated with the Contractual Arrangements are expected to be more than 5% on an annual basis. As such, the transactions will be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### *Reasons for the waiver application and the view of our Directors on the continuing connected transactions*

Our Directors, including our independent non-executive Directors, are of the view that (i) the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group's legal structure and business; and (ii) the Contractual Arrangements are on normal commercial terms, in the ordinary and usual course of our Group's business, fair and reasonable and are in the interests of our Company and our Shareholders as a whole.

Our Directors also believe that our Group's structure, whereby the financial results of the Consolidated Affiliated Entities are consolidated into our Group's financial statements as if they were our Group's subsidiaries, and the economic benefits of their business flow to our Group, places our Group in a special position in relation to the connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of independent Shareholders.

## CONNECTED TRANSACTIONS

In addition, given the Contractual Arrangements were entered into prior to the Listing and are disclosed in this prospectus, and potential investors of our Company will participate in the Global Offering on the basis of such disclosure, our Directors consider that compliance with the announcement and the independent Shareholders' approval requirements in respect thereof immediately after Listing would add unnecessary administrative costs to our Company.

### APPLICATION FOR AND CONDITIONS FOR WAIVER

In view of the above, we have applied to the Stock Exchange pursuant to Rule 14A.105 of the Listing Rules for, and the Stock Exchange has granted, a waiver from (i) strict compliance with the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules; (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange subject however to the following conditions:

- (a) *No Change without Independent Non-executive Directors' Approval* — No change to the Contractual Arrangements (including with respect to any fees payable to Wuxi Lingjingyun thereunder) will be made without the approval of our independent non-executive Directors.
- (b) *No Change without Independent Shareholders' Approval* — Save as described in “— Renewal and Reproduction” below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our Company's independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as referred to in the paragraph headed “Application for and conditions for waiver — (d) Renewal and reproduction” of this section) will however continue to be applicable.
- (c) *Economic Benefits Flexibility* — The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through our Group's option (if and when so allowed under the applicable PRC laws) to acquire, all or part of: (i) the equity interests in the Consolidated Affiliated Entities held by the Registered Shareholders for a nominal price or the minimum amount of consideration permitted by applicable PRC laws and regulations; (ii) the business structure under which the profit generated by the Consolidated Affiliated Entities is retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Wuxi Lingjingyun by Cloud Factory and its subsidiaries under the Exclusive

## CONNECTED TRANSACTIONS

Business Cooperation Agreements; and (iii) our Group's right to control the management and operation of, as well as, in substance, the voting rights of Cloud Factory and its subsidiaries.

- (d) *Renewal and Reproduction* — On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and, or reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.
- (e) *Ongoing Reporting and Approvals* — Our Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:
- i. The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules.
  - ii. Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that: (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the revenue generated by the Consolidated Affiliated Entities has been substantially retained by Wuxi Lingjingyun; and (ii) any new contracts entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Company and the Shareholders as a whole.
  - iii. Our Company's auditors will carry out procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants on the transactions carried out pursuant to the Contractual

## CONNECTED TRANSACTIONS

Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange, at least 10 Business Days before our Company bulk prints its annual report, reporting their findings whether the transactions carried out pursuant to the Contractual Arrangements have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of their respective equity interests which are not otherwise subsequently assigned/transferred to our Group.

- iv. For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, the Consolidated Affiliated Entities will be treated as our Company’s subsidiaries, and the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the Consolidated Affiliated Entities and their respective associates will be treated as our Company’s connected persons. As such, transaction between any of our subsidiaries and these Consolidated Affiliated Entities shall not constitute connected transactions, but transactions between these connected persons and our Group (including for this purpose the Consolidated Affiliated Entities) other than those under the Contractual Arrangements shall comply with Chapter 14A of the Listing Rules.
- v. The Consolidated Affiliated Entities undertake that, for so long as the Shares are listed on the Stock Exchange, they will provide our Group’s management and our Company’s auditors with full access to its relevant records for the purpose of procedures to be carried out by our Company’s auditors’ on the connected transactions.

### **SOLE SPONSOR’S AND DIRECTORS’ VIEWS**

Our Directors (including our independent non-executive Directors) are of the view that the Contractual Arrangements as detailed in the paragraph headed “Connected Transactions — Continuing Connected Transactions — The Contractual Arrangements” of this section and the transactions contemplated therein are fundamental to our Group’s legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better and are fair and reasonable and in the interests of our Company and the Shareholders as a whole, and with respect to the term of the Contractual Arrangements which is of a duration of longer than three years, taking into consideration the reasons for entering into the Contractual Arrangements with details set out in this section above, it is reasonable for these arrangements to be for a duration of more than three years and it is normal business practice for agreements of this type to be of such duration.

Based on the relevant documents and information provided by our Group and reviewed by the Sole Sponsor, the necessary representations and confirmations provided by our Company and the Directors to the Sole Sponsor and the Sole Sponsor’s participation in the due diligence and

## CONNECTED TRANSACTIONS

discussions with the management of our Company and the PRC Legal Adviser, the Sole Sponsor is of the view that the Contractual Arrangements are fundamental to our Group's legal structure and business operations.

With respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, the Sole Sponsor is of the view that it is justifiable and normal business practice to ensure that (i) the financial and operational policies of the Consolidated Affiliated Entities can be effectively controlled by Wuxi Lingjingyun; (ii) Wuxi Lingjingyun can obtain the economic benefits derived from the Consolidated Affiliated Entities; and (iii) any possible leakage of assets and values of the Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

The Sole Sponsor is of the view that the above non-exempt continuing connected transactions described above, and for which the waivers have been sought, have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms and are fair and reasonable and in the interests of our Company and the Shareholders as a whole.



## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### OVERVIEW

Immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Sun, indirectly hold 75% will through his wholly-owned intermediary entity, Ru Yi IT of the issued share capital of our Company. Accordingly, Mr. Sun and Ru Yi IT will be regarded as a group of Controlling Shareholders upon Listing.

### INDEPENDENCE OF MANAGEMENT, OPERATION AND FINANCE

Our Directors are satisfied that we are capable of carrying our business independently from our Controlling Shareholders and/or their respective close associates after the Listing, based on the following factors:

#### Management Independence

Our Board comprises of four executive Directors and three independent non-executive Directors. Decisions of our Board are made collectively. Our management and operational decisions are delegated to a team of four executive Directors and two members of senior management who are not Directors. Most of them have served our Group for a long time and have substantial experience in the industry we operate and will therefore be able to make business decisions that are in the best interests of our Group. The balance of power and authority is ensured by the operation of our Board and senior management. For details of the qualifications and experience of our executive Directors and senior management, please refer to the section headed “Directors and Senior Management” in this prospectus. Except for Mr. Sun himself, all the other members of our Board and our senior management are independent of our Controlling Shareholders.

Each of our Directors is aware of his or her fiduciary duties as a director, which require, among other things, that he or she must act for the benefit and in the best interests of our Company, and must not permit any conflict between his or her duties as a Director and his or her personal interests. Further, we believe our independent non-executive Directors have a depth and breadth of experience which will enable them to bring sound, independent and impartial judgment to the decision-making process of our Board. Our independent non-executive Directors have been appointed in accordance with the requirements of the Listing Rules to ensure there is no actual or potential conflicts of interest with our Controlling Shareholders.

In addition, the Directors shall not vote or be counted in the quorum of any resolution of the Board in respect of any contract, arrangement or proposal in which he or she or any of his or her close associates has a material interest, subject to certain exceptions. As such, if the Board is asked to consider transactions or matters where the counterparty involved is one of our Controlling Shareholders or their respective associates, Mr. Sun will not vote or be counted in the quorum at the relevant Board meetings if any of his interest is material, and there will be sufficient members on our Board (including three independent non-executive Directors) with the requisite qualifications, experience and impartiality to discharge their duties to our Company as Directors. We have also adopted a series of corporate governance measures to manage conflicts of interest, if

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

any, between our Group and our Controlling Shareholders which would support our independent management. For details, please refer to the paragraph headed “— Other Corporate Governance Measures” of this section.

Moreover, the connected transactions between our Group and our Controlling Shareholders and/or their respective associates are subject to the requirements under the Listing Rules, including the requirements of annual reporting, announcement, circular, annual review and independent Shareholders’ approval (where applicable).

Based on the above, our Directors are satisfied that our Board, together with our senior management team, is able to perform the managerial role in our Group independently.

### **Operational independence**

We operate independently from our Controlling Shareholders and/or their respective close associates. Our Company (through our subsidiaries) holds all relevant licenses and owns all relevant intellectual properties and research and development facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders and/or their respective close associates. We also have independent access to our clients and subcontractors and an independent management team to operate our business.

Given that (i) we have established our own organisational structure comprising individual departments and business and administrative units, each with specific areas of responsibilities; and (ii) our Group does not share our operational resources, such as marketing, sale and general administration resources with our Controlling Shareholders and/or their close associates, our Directors consider that our Group can operate independently from our Controlling Shareholders and/or their close associates from an operational perspective.

### **Financial independence**

Our Group has an independent financial reporting system and makes financial decisions according to our Group’s own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. More importantly, we have been and are capable of obtaining equity and debt financing from third parties.

As at 31 December 2021, 2022 and 2023, we had bank borrowings amounting to RMB42.1 million, RMB67.0 million and RMB166.7 million, respectively. Certain bank borrowings were guaranteed by, *inter alia*, certain Shareholders including our Controlling Shareholders and their close associates. For details on the guarantee provided by certain Shareholders and their close associates, please refer to note 25 to the Accountants’ Report in Appendix I to this prospectus. Such guarantee provided by Shareholders and their close associates had been discharged on 26 May 2023.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Based on the aforesaid, our Directors believe that we have the ability to conduct our business independently from our Controlling Shareholders and/or their respective close associates from a financial perspective and are able to maintain financial independence from our Controlling Shareholders and/or their respective close associates.

### SUN UNDERTAKING

#### Background of the Sun Undertaking

In 2015, Mr. Sun's sisters, Ms. Sun Xiaoyan (孫曉燕) and Ms. Sun Xiaoti (孫曉悌) contemplated to dispose (the “Disposal”) of the shareholding of Guangdong Litong Network Technology Co., Ltd. (廣東力通網絡科技有限公司) (“Guangdong Litong”) held by them to Company Z (“Company Z”), a company currently listed on the Shenzhen Stock Exchange and principally engaged in the provision of IDC solution services in the PRC. To facilitate the Disposal, on 25 September 2015, Mr. Sun was required to sign an undertaking under which he undertook, in summary, as follows (the “Sun Undertaking”):

- (a) Wuxi Zhida Network Technology Co., Ltd. (無錫市智達網絡科技有限公司) (“Wuxi Zhida”) shall submit a cancellation application for its ICP license and other licenses, if any, required for carrying out any businesses that compete with those of Guangdong Litong and Company Z, to the telecommunications authorities of the PRC before 30 September 2015.
- (b) Wuxi Zhida would no longer engage in any business that may cause competition with those of Guangdong Litong and Company Z with effect from 30 September 2015.
- (c) Mr. Sun would no longer engage in any business that may cause competition with those of Guangdong Litong and Company Z with effect from 30 September 2015. The enterprises under Mr. Sun's de facto control or his significant influence would no longer apply the necessary licenses to carry out the same or similar business.
- (d) If Guangdong Litong and Company Z develop new data centre business, Mr. Sun and Wuxi Zhida would observe the aforesaid terms and guarantee that there would not be competition with Guangdong Litong and Company Z.
- (e) The letter of undertaking shall remain in force until the second anniversary date after Ms. Sun Xiaoti and her related parties no longer directly or indirectly hold any shares in Company Z and Ms. Sun Xiaoti and her close relatives no longer hold any position in Guangdong Litong and Company Z. As at the Latest Practicable Date, Ms. Sun Xiaoyan remained a director of Company Z, and Ms. Sun Xiaoti and her related parties indirectly held 0.36% of the shareholding in Company Z.

#### *Guangdong Litong*

Guangdong Litong was established in April 1998 by Independent Third Parties. Guangdong Litong was principally engaged in providing IDC services to customers. From November 2007 to December 2009, Mr. Sun served as a deputy general manager in Guangdong Litong, where he was mainly responsible for overseeing its overall management and business operation. From February

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

2012 to November 2014, Mr. Sun became a passive investor of Guangdong Litong and was not involved in the daily operation and management of Guangdong Litong. Since 2014, he had no longer been involved in the operation and the ownership of Guangdong Litong.

Since December 2011, Ms. Sun Xiaoti and Ms. Sun Xiaoyan had been the major shareholders of Guangdong Litong until it was acquired by Company Z in April 2016.

### *Wuxi Zhida*

Wuxi Zhida was established in April 2006 by Independent Third Parties. Wuxi Zhida was principally engaged in the provision of IDC solution services. Mr. Sun acquired 90% of the shareholding interests in Wuxi Zhida in September 2012. Ms. Sun Xiaoti acquired 49% of the shareholding interests in Wuxi Zhida in July 2014 to expand her business into the Jiangsu Province and exited Wuxi Zhida in October 2014 due to divergent operational perspectives.

Pursuant to the Sun Undertaking, Wuxi Zhida filed an application with the New District Branch of Wuxi Administration for Industry and Commerce (the “**Wuxi AIC**”) to remove the business scope of “engagement in Internet service provider business under the second type of value-added telecommunications business” (the “**Competition Businesses**”) in Jiangsu Province from its articles of association and business licence. On 25 September 2015, Wuxi AIC approved Wuxi Zhida’s application for the aforementioned changes and issued the updated business licence to Wuxi Zhida. On 19 November 2015, Wuxi Zhida’s application for cancellation of its ICP Licence was approved by Jiangsu Communications Administration. Since the changes of its business scope in its articles of association filed with Wuxi AIC and the cancellation of its ICP Licence, Wuxi Zhida had not been engaged in the Competition Businesses.

Pursuant to the Sun Undertaking and the agreement for the acquisition of Guangdong Litong by Company Z in April 2016, Wuxi Zhida shall transfer its IDC business contracts to Guangdong Litong. Mr. Sun was not compensated in any form under the Disposal and Mr. Sun only agreed to provide the undertaking in the capacity of the controlling shareholder and legal representative of Wuxi Zhida and with the contemplation that (i) Mr. Sun was required to provide the undertaking because he was the controlling shareholder of Wuxi Zhida at that time, and it was Mr. Sun’s understanding that the undertaking would only bind the entity that he held when making the undertaking (which was Wuxi Zhida) and it would not affect his new investments in any new entities to carry out IDC solution service; and (ii) as confirmed by Mr. Sun, the Sun Undertaking was given to facilitate his sisters’ business transaction and it was not the intention to affect Mr. Sun’s future businesses.

Thereafter, Wuxi Zhida still generated some revenue from the provision of ICT services. Since ICT services do not constitute any type of value-added telecommunications business, they do not fall within the scope of the Competition Business. Despite the above, Mr. Sun considered that it was in the interest of the Group to fade out his role in Wuxi Zhida mainly because (i) Wuxi Zhida had ceased to be an ICP Licence holder, (ii) the future business of Wuxi Zhida would be limited due to the cancellation of its ICP Licence, (iii) Wuxi Zhida was not profitable; and (iv) it was not Mr. Sun’s plan to include the minority shareholder who was holding the remaining 5.1%

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

shareholding interests in Wuxi Zhida (who is an Independent Third Party) into any of his business. Mr. Sun then gradually transferred the ICT services from Wuxi Zhida to Cloud Factory and deregistered it in December 2020. The historical financial performance of Wuxi Zhida in 2020 prior to its deregistration was as follows:

Revenue	Cost of sales	Gross profit	Net profit
RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
—	—	—	(3)

### Specific PRC Legal Adviser's Opinion

In respect of the Sun Undertaking, the Specific PRC Legal Adviser was engaged to advise the Company on the related matters. The Specific PRC Legal Adviser was founded in 1992 with more than 8,000 lawyers in over 40 offices across the PRC. It has represented both foreign and domestic clients in tackling civil, commercial, administrative and international matters across multiple major industries in the PRC.

According to the legal opinion (the “**Specific Legal Opinion**”) of the Specific PRC Legal Adviser:

- (a) the entities invested by Mr. Sun and their business scope and ICP Licences were public information and could be easily found out via online search on the official website of the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) and the telecommunications services business market integrated management information system of MIIT government service platform (工業和信息化部政務服務平台電信業務市場綜合管理信息系統). Furthermore, based on the fact that, as confirmed by our Directors, Cloud Factory and Guangdong Litong (already a wholly-owned subsidiary of Company Z at that time) entered into a business cooperation contract in August 2018 according to which Company Z should have known Cloud Factory was engaged in IDC related business at that time;
- (b) since Company Z knew or should have known that Mr. Sun had been engaging in our Group's businesses and Company Z had repeatedly stated in its published annual report of 2018 and its interim report of 2019, that there was no breach of the undertakings which were continuously observed, prior to its transfer of listing from NEEQ to Shenzhen Stock Exchange in 2020, Company Z had by its act confirmed that the entities invested by Mr. Sun are permitted to engage in carry out IDC related businesses;
- (c) during the interviews conducted with a director, who was also a deputy general manager and board secretary of Company Z and duly authorised to conduct the interviews on 20 April 2022 and 10 October 2023 respectively, it was confirmed that:

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (i) the details of our Group's business segments, including the IDC Solution Services, the Edge Computing Services and the ICT Services and Other Services were sent by our Group to Company Z and Company Z had been aware of Cloud Factory and its affiliated entities (directly or indirectly controlled by Mr. Sun) as well as the businesses that they had been carrying out and Company Z and Mr. Sun had not had any dispute on that;
  - (ii) the directors of Company Z had been aware of the matter and the content of the interviews; and
- (d) at the time when the Sun Undertaking was signed, (i) Mr. Sun did not hold any equity interest in Guangdong Litong and was not in any way connected with Guangdong Litong except his relationship with Ms. Sun Xiaoti and Ms. Sun Xiaoyan, (ii) Mr. Sun had never received any benefit and/or financial assistances from any party from the acquisition of Guangdong Litong by Company Z and/or the provision of the Sun Undertaking; (iii) as the Sun Undertaking was a unilateral undertaking which only imposed obligations but not granted any rights and economic benefits to him, according to the principle of fairness of civil law in the PRC, the Sun Undertaking shall be deemed as a unilateral civil juristic act instead of a contractual act of both parties. Therefore, the undertakings contained in the Sun Undertaking shall be interpreted by Mr. Sun instead of Company Z. Based on Mr. Sun's understanding, the Sun Undertaking shall be intended to only bind the entity that he held when signing the understanding (which was Wuxi Zhida) and shall not affect Mr. Sun's new investments in any new entities to carry out IDC solution service, and Company Z shall not pursue legal proceedings against Mr. Sun's investments in new entities that carry our IDC solution service; and (iv) the Sun Undertaking did not stipulate any consequence for any breach of the undertaking.

Based on the above, our Directors, the Sole Sponsor and the Specific PRC Legal Adviser are of the view that (i) Mr. Sun's investment in and operation of our IDC Solution Services will not be considered as a breach of the Sun Undertaking; and (ii) should Company Z file a claim alleging Mr. Sun's breach of the Sun Undertaking, the risk of a successful claim initiated by Company Z against Mr. Sun is remote.

According to the Specific Legal Opinion, since our Group is not a party to the Sun Undertaking, the Sun Undertaking should only bind Mr. Sun but not our Group. The risk that our Group being subject to any alleged claim for breaching the Sun Undertaking is remote. In addition, given the Sun Undertaking did not stipulate any consequence in case of a breach, it would be onerous and difficult for Company Z to prove causation between damage it has suffered and the alleged breach. Based on the above, our Directors and the Sole Sponsor are of the view that there will be no material adverse impact on the operation, development and expansion of our Group's businesses and Mr. Sun in the unlikely event that a breach is alleged.



## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

In addition, on the bases that:

- (1) according to the publicly available information from the National Enterprise Credit Information Publicity System, Mr. Sun indirectly held 76.1% of the equity interests of Cloud Factory through his one-member company, Jiangsu Hanju Investment Co., Ltd, since 5 December 2018, which means that Company Z could have known that Cloud Factory was controlled by Mr. Sun since December 2018;
- (2) from 2018 to 2019, Cloud Factory had business transactions related to IDC business with a subsidiary of Company Z. The transaction agreement signed in March 2019 clearly indicated that Mr. Sun was the legal representative of Cloud Factory. And according to the publicly available information from the National Enterprise Credit Information Publicity System, Mr. Sun has been registered as the legal representative of Cloud Factory since December 2018. Therefore, Company Z was well aware of Cloud Factory's main businesses and the fact that it was controlled by Mr. Sun;
- (3) Company Z disclosed the performance of the Sun Undertaking in its 2018 annual report and 2019 semi-annual report. The reports stated that "the commitment party has fulfilled and will continue to fulfil his commitment, and there is no violation of the commitment";
- (4) as confirmed by Mr. Sun, it had been Mr. Sun's real intention that the Sun Undertaking would only bind the entity that he held when making the undertaking (which was Wuxi Zhida) and it would not affect his investments in any new entities to carry out IDC solution services. Given the fact that Company Z was well aware of Cloud Factory's business and had not had any dispute with Mr. Sun on that as mentioned in above (1) (2) (3) and (5) below, it was believed that there was a meeting of the minds between Mr. Sun and Company Z on the real intention of Mr. Sun. Under the principle of Civil Code, the true intention of the parties is the key to the interpretation of an expression of intent; and
- (5) the secretary of the board of directors of Company Z was interviewed on 20 April 2022 and 10 October 2023, respectively. During these interviews, it was confirmed that Company Z had been aware of Cloud Factory and its affiliated entities (directly or indirectly controlled by Mr. Sun) as well as the businesses that they had been carrying out and Company Z and Mr. Sun had not had any dispute on that,

the Company's PRC Legal Adviser and the Sole Sponsor's PRC Legal Adviser concur with the Specific Legal Opinion that should Company Z file a claim alleging Mr. Sun's breach of the Sun Undertaking, the possibility of the court ruling in favour of Company Z is low and the risk that our Group being subject to any alleged claim for breaching the Sun Undertaking is remote.



## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### COMPETITION ISSUE UNDER RULE 8.10 OF THE LISTING RULES

Save and except for the interests of our Controlling Shareholders in our Company and its subsidiaries, our Controlling Shareholders and Directors confirm that none of them has any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

### OTHER CORPORATE GOVERNANCE MEASURES

In accordance with the Listing Rules, our Board will consist of not less than three independent non-executive Directors, comprising at least one-third of our Board, to ensure that our Board is able to effectively exercise independent judgment in its decision-making process. For details about our independent non-executive Directors, please refer to the paragraph headed “Directors and Senior Management — Board of Directors — Independent non-executive Directors” in this prospectus. We believe our independent non-executive Directors are of sufficient caliber, knowledge and experience and will be able to provide impartial and independent advice to our Shareholders.

We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflicts of interest between our Group and the Controlling Shareholders:

- (a) our Articles of Association provide that a Director who is in any way materially interested in an actual or proposed contract or arrangement with the Company shall declare the nature of his or her interest at the earliest meeting of the Board at which he or she may practically do so;
- (b) our Articles of Association also provide that, subject to certain exceptions, a Director shall not vote (nor be countered in the quorum) on any resolution of the Board in respect of any contract or arrangement or proposal in which such Director or any of his or her close associates has a material interest, and if such Director does so, his or her vote shall not be counted, nor shall such Director be counted in the quorum for that resolution;
- (c) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with a Controlling Shareholder or any of his or her close associates, our Company will comply with the applicable Listing Rules;
- (d) if the independent non-executive Directors are requested to review any conflict of interest circumstances between the Group on the one hand and our Controlling Shareholders and/or the Directors on the other hand, our Controlling Shareholders and/or the Directors shall provide the independent non-executive Directors with all necessary information, and the Company shall disclose the decisions of the independent non-executive Directors either through its annual report or by way of announcements;

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (e) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses;
- (f) we have established an Audit Committee, a Remuneration Committee and a Nomination Committee to assess and control, and ensure our Board is appropriately advised, as to matters relating to, among other things, our relationships with our external auditors and internal audit, the remuneration of our Directors and our senior management, and the composition of our Board. Our Audit Committee comprises independent non-executive Directors. In addition, the chairman of each of our audit and Remuneration Committees is an independent non-executive Director. For details of our committees and their composition, please refer to the paragraph headed "Directors and Senior Management — Board Committees" in this prospectus; and
- (g) we have appointed SPDB International Capital Limited as our Compliance Adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and Listing Rules including various requirements relating to directors' duties and corporate governance.

Based on the above, our Directors are satisfied that there are sufficient and effective measures to manage conflicts of interests and that we are able to operate independently from our Controlling Shareholders.

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately following the completion of the Capitalisation Issue and the Global Offering, the following persons will have an interest in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity/Nature of interests <sup>(1)</sup>	Share held immediately prior to completion of the Capitalisation Issue and the Global Offering		Shares held immediately following completion of the Capitalisation Issue and the Global Offering	
		Number	Percentage	Number	Percentage
Mr. Sun	Interest of controlled corporation <sup>(2)</sup>	1,000,000	100%	345,000,000	75%
Ru Yi IT	Beneficial owner <sup>(2)</sup>	1,000,000	100%	345,000,000	75%

*Notes:*

- (1) All interests stated are long positions.
- (2) Ru Yi IT is beneficially wholly owned by Mr. Sun. Mr. Sun is deemed to be interested in all the Shares held by Ru Yi IT for the purpose of the SFO.

Save as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Capitalisation Issue and the Global Offering (and assuming the Over-allotment Option is not exercised), have an interest or a short positions in the Shares or underlying Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

## DIRECTORS AND SENIOR MANAGEMENT

### BOARD OF DIRECTORS

Upon Listing, the Board of Directors will consist of four executive Directors and three independent non-executive Directors. Our executive Directors and independent non-executive Directors will be subject to rotation and re-election at the annual general meetings of our Company in accordance with the Articles of Association.

The functions and duties of our Board include, but are not limited to, determining our Group's business and investments plans, convening general meetings and reporting on the Board's work at these meetings, implementing the resolutions passed at these meetings, formulating our Company's annual financial budget and final accounts, formulating our proposals for distributions of profit, as well as exercising other powers, functions and duties conferred by our Articles of Association. We entered into service contracts with our executive Directors and appointment letters with independent non-executive Directors. Our executive Directors and senior management are responsible for the day-to-day management and operation of our Group's business.

The following table sets out information in respect of the Directors of our Company:

<u>Name</u>	<u>Age</u>	<u>Positions</u>	<u>Roles and Responsibilities</u>	<u>Date of Joining our Group</u>	<u>Date of Appointment as our Director</u>
Mr. Sun Tao (孫濤)	41	Chairman and executive Director	Overseeing the overall management and business operation, board affairs, formulating strategies and operation plans and making major business decisions of our Group and acting as the chairman of the Nomination Committee	October 2013	December 2021
Mr. Jiang Yanqiu (蔣燕秋)	34	Executive Director and general manager	Overseeing the operation of the Group's businesses	May 2015	March 2023
Mr. Ji Lijun (季黎俊)	40	Executive Director and deputy general manager	Overseeing the operation of the Group's businesses and acting as a member of the Remuneration Committee	October 2013	March 2023
Mr. Zhu Wentao (朱文濤)	35	Executive Director, deputy general manager and the head of our <i>Lingjing Cloud</i> business department	Overseeing the operation and development of the Group's Edge Computing Services	January 2022	January 2024
Mr. Ip Mun Lam (葉滿林)	40	Independent non-executive Director	Providing independent opinion and judgment to the Board and acting as a member of the Remuneration and Audit Committees	Listing Date	14 May 2024 (with effect from the Listing Date)

## DIRECTORS AND SENIOR MANAGEMENT

<u>Name</u>	<u>Age</u>	<u>Positions</u>	<u>Roles and Responsibilities</u>	<u>Date of Joining our Group</u>	<u>Date of Appointment as our Director</u>
Mr. Cui Qi (崔琦)	39	Independent non-executive Director	Providing independent opinion and judgment to the Board and acting as the chairman of the Remuneration Committee and a member of the Audit and Nomination Committees	Listing Date	14 May 2024 (with effect from the Listing Date)
Ms. Zhao Hong (趙竑)	54	Independent non-executive Director	Providing independent opinion and judgment to the Board and acting as the chairman of the Audit Committee and a member of the Nomination Committees	Listing Date	14 May 2024 (with effect from the Listing Date)

### Executive Directors

**Mr. Sun Tao (孫濤)**, aged 41, one of the founders of our Group, is currently serving as an executive Director and the chairman of the Board. Mr. Sun is responsible for overseeing the overall management and business operation, board affairs, formulating strategies and operation plans and making major business decisions of our Group.

Mr. Sun has over 16 years' experience in the IDC solution industry in the PRC. Prior to founding our Group, from September 2006 to October 2007, Mr. Sun served as the sales manager of Wangsu Science & Technology Co., Ltd. (網宿科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300017) that principally engaged in providing content delivery network, cloud computing, cloud security and global IDC solution services, where he was mainly responsible for sales and marketing work of IDC solution services. From November 2007 to December 2009, Mr. Sun served as a deputy general manager in Guangdong Litong Network Technology Co., Ltd. (廣東力通網絡科技有限公司), a company principally engaged in providing IDC solution services where he was mainly responsible for overseeing the overall management and business operation. He acquired Wuxi Zhida Network Technology Co., Ltd. (無錫市智達網絡科技有限公司) in September 2012 before he founded Cloud Factory in December 2015.

Mr. Sun obtained his bachelor's degree in Business Administration from Huaihai Institute of Technology (淮海工學院) (currently known as Jiangsu Ocean University (江蘇海洋大學)) in July 2006 in the PRC.

Mr. Sun is currently holding directorship in several principal subsidiaries of our Company, including Cloud Factory and Jiangsu Yiru.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Sun was previously a director or supervisor of the following companies, which were established in the PRC prior to their deregistration:

<u>Name of company</u>	<u>Position held before deregistration</u>	<u>Principal business activity immediately prior to deregistration</u>	<u>Date of deregistration</u>
Wuxi Zhida Network Technology Co., Ltd.* (無錫市智達網絡科技有限公司)	Director, general manager and legal representative	Provision of IDC solution services	4 December 2020
Shanghai Weidu Information Technology Co., Ltd.* (上海灘渡信息科技有限公司)	Director and legal representative	Provision of information and computing technologies	1 April 2010
Wuxi Zhihui Yi Information Technology Co., Ltd.* (無錫市智慧翼信息科技有限公司)	Supervisor	Provision of information and computer hardware and software	23 May 2019

Mr. Sun confirmed that (i) each of the above companies was deregistered due to business termination resulting from unprofitable personal ventures and/or the need to further focus on our Group's operation and was solvent at the time of deregistration; (ii) he was not aware of any actual or potential claim which has been or could potentially be made against him as a result of such deregistration; (iii) there was no wrongful act on his part leading to the deregistration of the above companies; and (iv) the deregistered companies were in full compliance with the PRC laws and regulations prior to their deregistration.

**Mr. Jiang Yanqiu (蔣燕秋)**, aged 34, joined our Group in May 2015. Mr. Jiang is currently serving as an executive Director and a general manager of our Company. Mr. Jiang is responsible for overseeing the operation of the Group's businesses.

Prior to joining our Group, from October 2010 to June 2012, Mr. Jiang worked as a technical supervisor of Jiangsu Eastern Heavy Industries Co., Ltd. (江蘇東方重工有限公司), a shipbuilding company where he was primarily responsible for product testing and improvement. From April 2013 to May 2015, Mr. Jiang successively served as a sales manager of Beijing Sohu New Media Information Technology Co., Ltd. (北京搜狐新媒體資訊技術有限公司), a company mainly engaged in real estate internet advertising, e-commerce and value-added services, where he was mainly responsible for the provision of online advertising services in real estates and vehicle businesses in the regions of Wuxi, Suzhou and Changzhou.

Mr. Jiang obtained his bachelor's degree in mechanical design, manufacturing and automation from Southeast University Chengxian College (東南大學成賢學院) in the PRC in June 2010.

**Mr. Ji Lijun (季黎俊)**, aged 40, joined our Group in October 2013. Mr. Ji is currently serving as an executive Director and a deputy general manager of our Company. Mr. Ji is responsible for overseeing the operation of the Group's businesses.

## DIRECTORS AND SENIOR MANAGEMENT

Prior to joining our Group, from July 2006 to November 2006, Mr. Ji served as a sales engineer of the sales department at Shanghai Tongzhiguang Construction Machinery Co., Ltd. (上海砿之光建築機械有限公司), a company principally engaged in the manufacturing and sales of concrete machinery and spare parts where he was mainly responsible for the sales of products and related solutions, marketing and new customers developments. From November 2006 to September 2009, he worked as a sales engineer of Shanghai Saidong Technologies Co., Ltd. (上海賽東科技有限公司), a company principally engaged in manufacturing and trading packaging machines where he was mainly responsible for the sales of products and related solutions, marketing and new customers developments. From February 2010 to May 2010, Mr. Ji served as a sales engineer of Jintan Jinwang Packaging Technology Co., Ltd. (金壇市金旺包裝科技有限公司) (currently known as Jiangsu Jinwang Intelligent SCI-TECH Co., Ltd. (江蘇金旺智能科技有限公司)), a company principally engaged in the research, development, manufacturing, sales and service of agrochemical preparation intelligent equipment. From June 2010 to December 2015, he joined Wuxi Zhida Network Technology Co., Ltd. (無錫智達網絡科技有限公司), a company mainly engaged in the provision of IDC solution services, where he successively served as the sales manager, the operation and maintenance superintendent (運維主管), the procurement supervisor (採購主管) and the vice general manager where he was mainly responsible for the sales, maintenance and procurement of products and related solutions and the overall management of company.

Mr. Ji obtained his bachelor's degree in mechanical design and manufacturing and automation from Huaihai Institute of Technology (淮海工學院) (currently known as Jiangsu Ocean University (江蘇海洋大學)) in the PRC in July 2006.

Mr. Ji was previously a director and/or supervisor of the following companies, which were established in the PRC prior to their deregistration:

<u>Name of company</u>	<u>Position held in the company before deregistration</u>	<u>Principal business activity immediately prior to deregistration</u>	<u>Date of deregistration</u>
Wuxi Hanyun Rui Management Consulting Ltd.* (無錫市瀚雲睿管理諮詢有限責任公司)	Supervisor	Provision of consulting service on corporate management	15 January 2019
Qingdao Zhonghai Xintong Network Technology Co., Ltd.* (青島中海信通網絡科技有限公司)	Director and legal representative	Provision of computing services	22 May 2019
Chengdu Aidishi Technology Co., Ltd.* (成都愛蒂仕科技有限公司)	Director, general manager and legal representative	Provision of computing technology and network engineering services	4 July 2019

Mr. Ji confirmed that (i) each of the above companies was deregistered due to business termination resulting from unprofitable personal ventures and the need to further focus on our Group's operation and was solvent at the time of deregistration; (ii) he was not aware of any actual or potential claim which has been or could potentially be made against him as a result of such deregistration; (iii) there was no wrongful act on his part leading to the deregistration of the above companies; and (iv) the deregistered companies were in full compliance with the PRC laws and regulations prior to their deregistration.



## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Zhu Wentao** (朱文濤), aged 35, is currently serving as an executive Director, the deputy general manager of our Group and the head of our *Lingjing Cloud* business department. Mr. Zhu is responsible for the construction, operation and supervision of *Lingjing Cloud*, our edge computing service platform.

Mr. Zhu joined our Group in January 2022, prior to which, Mr. Zhu served as a system development engineer in China National Software & Service Company Limited (中國軟件與技術服務股份有限公司), a company principally engaged in developing and providing leading-edge software services, from August 2010 to August 2011 and was mainly responsible for the development and maintenance of online business platforms. From August 2011 to May 2014, Mr. Zhu served as a deputy technical director in Beijing Testor Technology Co., Ltd. (北京泰策科技有限公司), a company principally engaged in the provision of industry solution services for communication network, smart emergency and Industrial Internet, and was mainly responsible for the construction and operation of the platforms for the recursive service, cache service and authoritative service relating to Domain Name System. From May 2014 to May 2015, Mr. Zhu served as a senior manager of the business development centre of China Internet Network Information Centre (中國互聯網絡信息中心) and was mainly responsible for the construction and operation of China's national top-level domain name “.CN”, and the platforms for the public recursive service and authoritative service. From March 2019 to February 2021, Mr. Zhu served as the general manager in Hangzhou Uyun Technology Co., Ltd. (杭州又拍雲科技有限公司), a company principally engaged in the provision of cloud computing services, and was mainly responsible for the construction and operation of the cloud computing platform for Hangzhou Uyun Technology Co., Ltd..

Mr. Zhu graduated from Xi'an Jiaotong University (西安交通大學) in the PRC and obtained his bachelor's degree in computer science and technology in September 2010.

### Independent Non-Executive Directors

**Mr. Ip Mun Lam** (葉滿林), aged 40, was appointed as an independent non-executive Director on 14 May 2024, with effect from the Listing Date. Mr. Ip has over 16 years of experience in finance. Mr. Ip has served as a representative of Innovax Capital Limited (“**Innovax Capital**”) since March 2015. He has been a responsible officer of Innovax Capital for Type 6 regulated activities (advising on corporate finance) under the SFO since February 2016 and Mr. Ip is one of the sponsor principals of Innovax Capital.

From July 2006 to May 2011, Mr. Ip served as an assistant manager at KPMG. From May 2011 to June 2013, Mr. Ip worked as an assistant manager and successively as a manager at China Everbright Capital Limited. From July 2013 to February 2015, Mr. Ip served as a corporate finance manager of the corporate finance department for Shenyin Wanguo Enterprises (H.K.) Ltd. (currently known as Shenwan Hongyuan Capital (H.K.) Limited).

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Ip obtained his bachelor's degree in actuarial science from University of Hong Kong in December 2006.

**Mr. Cui Qi (崔琦)**, aged 39, was appointed as an independent non-executive Director on 14 May 2024, with effect from the Listing Date.

Mr. Cui has over 13 years of experience in the legal profession. From September 2009 to August 2010, Mr. Cui served as an accounting assistant at KPMG. From December 2010 to December 2011, he worked as a trainee solicitor at Jiangsu Golden Harvest Law Firm (江蘇金禾律師事務所). From September 2011 to December 2012, he was an assistant judge of Xiaguan District of Nanjing People's Court (南京市下關區人民法院). From December 2012 to October 2016, he worked as a deputy chief (副主任科員) at the Nanjing Gulou District MOFCOM. From November 2016 to December 2018, Mr. Cui served as the general legal counsel of Sanpower Group Co., Ltd (三胞集團有限公司), a company principally engaged in new healthcare and new consumption sectors, and then the general legal counsel of Simcere Pharmaceutical Group Limited (先聲藥業集團有限公司), a company principally engaged in innovative research and development of pharmaceuticals, from December 2018 to November 2020. From November 2020 to June 2021, Mr. Cui served as the assistant of the chairman and the general manager of the legal and compliance division of GCL (Group) Holding Co., Ltd. (協鑫(集團)控股有限公司), a company principally engaged in innovation and development with leading green, low-carbon and zero-carbon energy technologies. Since July 2021, Mr. Cui joined the Grandall Law Firm (Nanjing) (國浩律師(南京)事務所) and took up the position as a partner since September 2021. Mr. Cui currently serves as a voluntary expert in litigation service for the Third Circuit Court of the Supreme People's Court of the PRC (中華人民共和國最高人民法院第三巡迴法庭), a committee member of Xuanwu District, Nanjing Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議南京市玄武區委員會) and has been an arbitrator under the Nanjing Arbitration Commission, the Hefei Arbitration Commission, and the Wuxi Arbitration Commission since August 2020, October 2021 and November 2021 respectively.

Mr. Cui obtained his bachelor's degree in economics from Nanjing Forestry University (南京林業大學) in the PRC in June 2006 and his master's degree in law from Nanjing University (南京大學) in the PRC in March 2009.

Mr. Cui was admitted as a PRC practicing lawyer in October 2019. He obtained the qualification certificate of secretary to the board of directors issued by the Shanghai Stock Exchange as for the Science and Technology Innovation Board in June 2020 and for the Main Board in June 2020. In addition, Mr. Cui obtained the qualification certificate of independent director of a listed company issued by the Shanghai Stock Exchange in November 2019, the securities qualification certificate (證券從業資格) awarded by the Securities Association of China (中國證券業協會) in March 2011, the futures qualification certificate (期貨從業資格) awarded by the China Futures Association (中國期貨業協會) in March 2016 and was accredited as a Microsoft Certified System Engineer (MCSE) by Microsoft in December 2002 and a Cisco Certified Network Associate (CCNA) by Cisco in April 2006.

**Ms. Zhao Hong (趙竑)**, aged 54, was appointed as an independent non-executive Director on 14 May 2024, with effect from the Listing Date.

## DIRECTORS AND SENIOR MANAGEMENT

Ms. Zhao has over 30 years of experience in corporate senior financial management. From July 1992 to May 1993, she served as a financial accountant of Shanghai AT&T Communication Equipment Limited (上海愛梯恩梯通信設備有限公司), then worked as a finance director at Shanghai Asian Sources Software Co., Ltd. (上海亞資軟件有限公司), a company principally engaged in software development and production and the provision of consulting services, from May 1993 to May 1995. From May 1995 to May 1998, Ms. Zhao worked as the senior finance director of Shanghai Quaker Oats Beverage Co., Ltd. (上海貴格飲料有限公司), a company principally engaged in the production and sales of beverages. From May 1998 to September 2015, she served as a senior financial manager of Chindex Medical Limited (美中互利醫療有限公司), a company principally engaged in the provision of leading-edge healthcare technologies and high-quality products and services. In April 2016, Ms. Zhao joined Vestate Group Holdings Limited (國投集團控股有限公司), a company principally engaged in the manufacturing and retail of footwear, serving as an independent non-executive director until November 2020. In addition, she has served as the chief financial officer of Shanghai Yizhile Toys Sales Co., Ltd, a company principally engaged in the retail of toys, since September 2014 where she was mainly responsible for managing financial matters of the company.

Ms. Zhao obtained her bachelor's degree in economics from Shanghai University of Finance and Economics (上海財經大學) in July 1992 and a master's degree in business administration from the China Europe International Business School (中歐國際工商學院) in the PRC in June 2008. She obtained the qualification of accountant specialising in accounting (Corporate) conferred by the Ministry of Finance of the PRC in May 1996. Ms. Zhao was qualified as a certified public accountant in China in April 1998 and is currently a non-practicing member of the Chinese Institute of Certified Public Accountants. In addition, Ms. Zhao was granted the title of senior accountant by the Shanghai Municipal Human Resources and Social Security Bureau in November 2019.

Save as referred to the section headed "Relationship with Controlling Shareholders" in this prospectus, each of the Directors (i) did not hold other position in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as at the Latest Practicable Date; and (iii) had not held any directorship in any other public company the securities of which were listed on any securities market in Hong Kong or overseas in the three years immediately preceding the Latest Practicable Date.

Immediately following the completion of the Capitalisation Issue and the Global Offering, save as referred to in this section and the sections headed "Substantial Shareholders" and "Statutory and General Information" in Appendix IV to this prospectus, each of the Directors does not have any interest in the Shares within the meaning of Part XV of the SFO.

None of the Directors have any interest in any business, other than our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business.

## DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there were no other matters with respect to the appointment of the Directors which need to be brought to the attention of our Shareholders, and there was no information relating to the Directors that is required to be disclosed pursuant to Rules 13.51(2) of the Listing Rules as at the Latest Practicable Date.

### SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of the senior management of our Company.

<u>Name</u>	<u>Age</u>	<u>Positions</u>	<u>Roles and Responsibilities</u>	<u>Date of Joining our Group</u>	<u>Date of Appointment as our Senior Management</u>
Mr. Sun Tao (孫濤)	41	Chairman and executive Director	Overseeing the overall management and business operation, board affairs, formulating strategies and operation plans, making major business decisions of our Group	October 2013	October 2013
Mr. Jiang Yanqiu (蔣燕秋)	34	Executive Director and general manager	Overseeing the operation of the Group's businesses	May 2015	May 2015
Mr. Ji Lijun (季黎俊)	40	Executive Director and deputy general manager	Overseeing the operation of the Group's businesses	October 2013	October 2013
Mr. Zhu Wentao (朱文濤)	35	Executive Director, deputy general manager and the head of our <i>Lingjing Cloud</i> business department	Overseeing the operation and development of the Group's Edge Computing Services	January 2022	January 2022
Ms. Zhou Xin (周新) <sup>(Note)</sup>	36	Deputy general manager of commercial department	Responsible for the formulation of business strategic and development plan, the management of the Group's business activities and the application of various licenses for the Group	January 2016	January 2016
Ms. Wu Dan (吳丹)	39	Finance manager	Overseeing the Group's financial, internal audit and internal control functions	September 2023	January 2024

*Note:* Ms. Zhou Xin is the spouse of Mr. Ji Lijun.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Sun Tao (孫濤)**, aged 41, is the chairman of the Board and an executive Director of our Company. For details of his biography, please refer to the paragraph headed “— Board of Directors” of this section.

**Mr. Jiang Yanqiu (蔣燕秋)**, aged 34, is an executive Director and the general manager of our Company. For details of his biography, please refer to the paragraph headed “— Board of Directors” of this section.

**Mr. Ji Lijun (季黎俊)**, aged 40, is an executive Director and the deputy general manager of our Company. For details of his biography, please refer to the paragraph headed “— Board of Directors” of this section.

**Mr. Zhu Wentao (朱文濤)**, aged 35, is an executive Director, the deputy general manager of our Company and the head of our *Lingjing Cloud* business department. For details of his biography, please refer to the paragraph headed “— Board of Directors” of this section.

**Ms. Zhou Xin (周新)**, aged 36, has founded our Group in January 2016 and held the equity interest of Cloud Factory on behalf of Mr. Sun pursuant to an entrustment arrangement. Ms. Zhou is currently serving as the deputy general manager of our Group’s commercial department. Ms. Zhou is responsible for the formulation of a business strategic and development plan, the management of our Group’s business activities and the application of various licenses for the Group.

Prior to founding our Group, from January 2012 to December 2015, Ms. Zhou served as a customer service supervisor in Wuxi Zhida Network Technology Co., Ltd. (無錫市智達網絡科技有限公司) and was responsible for the management of the customers’ after-sales service and the application and maintenance of various licenses for the company. From January 2011 to December 2012, Ms. Zhou served as a customer service officer of Yixing Yitong Automobile Sales Service Co., Ltd. (宜興市宜通汽車銷售服務有限公司), a company principally engaged in the sales of automobiles and relevant accessories, and was responsible for customers after-sales service. From July 2006 to December 2008, Ms. Zhou served as a customer service officer in Jintan Kangmei Shopping Centre (金壇康美購物中心), a company principally engaged in providing market facilities leasing and market management services, and was responsible for handling customers’ enquiries.

Ms. Zhou graduated from Jintan Vocational and Technical School (金壇職業技術學校)<sup>#</sup> in the PRC and obtained her post-secondary diploma in marketing in July 2006.

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<sup>#</sup>Note: Jintan Vocational and Technical School is not accredited by the Ministry of Education of the PRC.

## DIRECTORS AND SENIOR MANAGEMENT

Ms. Zhou was previously a supervisor of the following companies, which were established in the PRC prior to their deregistration:

<u>Name of company</u>	<u>Principal business activity immediately prior to deregistration</u>	<u>Date of deregistration</u>
Qingdao Zhonghai Xintong Network Technology Co., Ltd.* (青島中海信通網絡科技有限公司)	Provision of computing services	22 May 2019
Chengdu Aidishi Technology Co., Ltd.* (成都愛蒂仕科技有限公司)	Provision of computing technology and network engineering services	4 July 2019

Ms. Zhou confirmed that (i) the above companies were deregistered due to business termination and they were solvent at the time of deregistration; (ii) she is not aware of any actual or potential claim which she has been or could potentially be made against her as a result of such deregistration; and (iii) there was no wrongful act on her part leading to the deregistration of the above companies.

**Ms. Wu Dan (吳丹)**, aged 39, joined our Group in September 2023. Ms. Wu is currently serving as our finance manager and the head of the finance department of our Company. She is responsible for overseeing the Group's financial, internal audit and internal control functions.

Prior to joining our Group, Ms. Wu worked as an accountant at Wuxi An'erda Piston Ring Factory (無錫安爾達活塞環廠) from August 2009 to April 2011 and was responsible for preparing management accounts and financial statements, managing trade receivables and payables, and other accounting works. From May 2011 to July 2012, Ms. Wu worked as a finance supervisor at Wuxi Wanquan Pharmaceutical Technology Co., Ltd. (無錫萬全醫藥技術有限公司). She was primarily responsible for preparing financial statements and budget plan, and handling certain finance-related external affairs such as liaising with tax department, banks and external auditor. Subsequently, she served as a finance manager at Wuxi Chenyun Technology Co., Ltd. (無錫辰雲科技股份有限公司) from October 2015 to November 2020, during which she was in charge of the overall financial management of the group in its initial public offering project, including but not limited to overseeing the accounting department of the group, organising and preparing financial statements and reports for the board's review, liaising with external auditor and assisting in the financing of the group. After that, Ms. Wu joined Jiangsu Xinborui Supply Chain Information Technology Service Co., Ltd (江蘇鑫博瑞供應鏈資訊技術服務有限公司) in August 2021 and served as its finance manager until August 2023. She was primarily responsible for the overall financial management of the group, including but not limited to supervising the preparation of various financial statements and reports, overseeing the tax reporting and compliance system, as well as reviewing and rectifying the internal control procedures of the group.



## DIRECTORS AND SENIOR MANAGEMENT

Ms. Wu obtained her bachelor's degree in agriculture from Yangzhou University in the PRC in June 2007. She qualified as an intermediate accountant accredited by the Ministry of Human Resources and Social Security of the People's Republic of China and the Ministry of Finance of the People's Republic of China in September 2017 and was accredited as a certified tax agent by The China Certified Tax Agents Association in November 2019.

Save as referred to in this section, each of the members of the senior management (i) did not hold other position in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as at the Latest Practicable Date; and (iii) had not held any directorship in any other public company the securities of which were listed on any securities market in Hong Kong or overseas in the three years immediately preceding in the Latest Practicable Date.

### CONFIRMATION FROM OUR DIRECTORS

#### Rule 8.10 of the Listing Rules

Each of our Directors confirms that as at the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

#### Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in May 2023, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

#### Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed that (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as at the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

### JOINT COMPANY SECRETARIES

**Mr. Ji Lijun** was appointed as our company secretary on 26 May 2023. For the biography of Mr. Ji, please refer to the paragraph headed “— Board of Directors — Executive Directors” of this section.

**Ms. Lam Chi Ching Cecilia** (林芷晴) is a solicitor qualified to practice in Hong Kong. Ms. Lam is currently an associate of Zhong Lun Law Firm LLP, specialising in corporate finance work including initial public offerings, mergers and acquisitions and post-listing compliance matters. Ms.



## **DIRECTORS AND SENIOR MANAGEMENT**

Lam received her LLB degree from the University of Birmingham, United Kingdom in July 2017. Ms. Lam graduated from the Chinese University of Hong Kong with a Master of Laws in International Economic Law in November 2019 and Postgraduate Certificate in Laws in August 2020, respectively.

### **BOARD COMMITTEES**

We have established the following committees within our Board, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee which operate in accordance with the written terms of reference adopted by our Board.

#### **Audit Committee**

We established an Audit Committee with written terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules and code provision D.3 in Part 2 of the Corporate Governance Code. The primary duties of the Audit Committee are to make recommendations to our Board on the appointment, re-appointment and removal of external auditors; to review the financial statements, risk management and internal control systems of the Company; to oversee our financial reporting process; and to provide advice and comment to our Board on matters related to corporate governance. The Audit Committee consists of three members, namely, Mr. Ip Mun Lam, Ms. Zhao Hong and Mr. Cui Qi. The chairperson of the Audit Committee is Ms. Zhao Hong who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

#### **Remuneration Committee**

We established a Remuneration Committee with written terms of reference in compliance with Rules 3.25 to 3.27 of the Listing Rules and code provision E.1 in Part 2 of the Corporate Governance Code. The primary duties of the Remuneration Committee are to make recommendations to the Board regarding our policy and structure for the remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; and to make recommendations to the Board on the remuneration packages of our Directors and senior management. The Remuneration Committee consists of three members, namely, Mr. Cui Qi, Mr. Ip Mun Lam and Mr. Ji Lijun. The chairman of the Remuneration Committee is Mr. Cui Qi.

#### **Nomination Committee**

We established a Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and code provision B.3 in Part 2 of the Corporate Governance Code. The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of our Board; assess the independence of the independent non-executive Directors; to make recommendations to our Board on the appointment and re-appointment of Directors and succession planning for Directors; and to ensure

## DIRECTORS AND SENIOR MANAGEMENT

the diversity of Directors. The Nomination Committee consists of three members, namely, Mr. Sun Tao, Mr. Cui Qi and Ms. Zhao Hong. The chairman of the Nomination Committee is Mr. Sun Tao.

### REMUNERATION POLICY

For the years ended 31 December 2021, 2022 and 2023, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension schemes contributions and benefits in kind of our Directors were approximately RMB4.0 million, RMB6.6 million and RMB6.9 million, respectively. For details on the remuneration of each Director during the Track Record Period, please refer to the information set out in the Accountants' Report in Appendix I to this prospectus.

For the years ended 31 December 2021, 2022 and 2023, the five highest-paid individuals of our Group included three, two and three Directors, respectively, whose remunerations are included in the aggregate amount of fees, salaries, allowances, discretionary bonus, pension scheme contributions paid and benefits in kind granted to the relevant Directors set out above. For details on the remuneration of the five highest-paid employees during the Track Record Period, please refer to note 10 to the Accountants' Report in Appendix I to this prospectus.

For the years ended 31 December 2021, 2022 and 2023, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension scheme contributions and benefits in kind granted to the remaining two, three and two highest-paid individuals who are neither a Director nor chief executive of our Group were RMB877,000, RMB5.0 million and RMB2.5 million, respectively.

During the Track Record Period, no remuneration was paid out by our Group to any Director or any of the five highest-paid individuals as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors had waived any remuneration during the Track Record Period.

Save as disclosed in this prospectus, no other payments have been made, or are payable, by any member of our Group to the Directors during the Track Record Period.

Our Board will review and determine the remuneration packages of our Directors and senior management and will receive recommendations from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and the performance of our Group.

### POST-IPO RSU SCHEME

To reward and encourage our employees for their contributions in the development of our Group and to attract and retain talents for future development of our Group, we conditionally approved and adopted a Post-IPO RSU Scheme by a shareholder's approval on 14 May 2024. For details, please refer to the paragraph headed "Statutory and General Information — D. Post-IPO RSU Scheme" in Appendix IV to this prospectus.

## DIRECTORS AND SENIOR MANAGEMENT

### CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interest of our Shareholders. To accomplish this, our Company intends to comply with the Corporate Governance Code and the Model Code after the Listing.

The Company has adopted the code provisions stated in the Corporate Governance Code. Our Company is committed to the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

Pursuant to code provision C.2.1 in the Corporate Governance Code, the roles of chairman of the board and chief executive should be separate and should not be performed by the same individual. Mr. Sun, our founder, is currently serving as the chairman of the Board and the executive Director. Throughout our business history, Mr. Sun has been the key leadership figure of our Group who has been primarily involved in the strategic development, overall operational management and major decision-making of our Group. Taking into account of all the corporate governance measures that our Group implemented, our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Accordingly, our Company had not segregated the roles of its chairman and chief executive officer. Our Board will continue to review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company at an appropriate time if necessary, taking into account of the circumstances of our Group as a whole.

Saved as disclosed above, as at the Latest Practicable Date and to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, our Directors were not aware of any deviation from provisions in the Corporate Governance Code.

### BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the “**Board Diversity Policy**”) in order to enhance the effectiveness of our Board and to maintain a high standard of corporate governance. The Board Diversity Policy sets out the criteria for selecting candidates for our Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skill, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our Directors have a balanced mix of experiences, including but not limited to information and technology, business management, legal, accounting and academic fields. Our Board currently consists of one female Director and six male Directors with a balanced mix of knowledge and skills, including but not limited to overall management and strategic development, finance and accounting and risk management. In addition, our Board has a wide range of age, ranging from 34 years old to 54 years old. In particular, one of our existing board members of the Company is

## **DIRECTORS AND SENIOR MANAGEMENT**

female, bringing the female representation to around 15% of the Board. Taking into account our existing business model, specific needs as well as the different background of our Directors, our Directors are of the view that the composition of our Board satisfies our Board Diversity Policy.

In recognition of the particular importance of the gender diversity, our Nomination Committee will continue to and from time to time identify suitable candidates of both genders to our Board to be appointed as Directors. Our Group has also taken and will continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at the Board and senior management levels.

Our Nomination Committee is responsible for reviewing our Board Diversity Policy, developing and reviewing measurable objectives for implementing the policy and monitoring the progress on achieving the objectives. After the Listing, our Nomination Committee will review our Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of our Board Diversity Policy on an annual basis.

### **COMPLIANCE ADVISER**

We have appointed SPDB International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. The compliance adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (c) where we propose to use the proceeds of the initial public offering in a manner different from that detailed in this prospectus or where our business activities, developments or results materially deviate from any forecast, estimate, or other information in this prospectus; and
- (d) where the Stock Exchange makes an enquiry of us under Rule 13.10 of the Listing Rules.

The term of the appointment of the Compliance Adviser will commence on the Listing Date and end on the date on which we distributed our annual report of our financial results for the first full financial year commencing after the Listing Date in compliance with Rule 13.46 of the Listing Rules, and such appointment may be subject to extension by mutual agreement.

## SHARE CAPITAL

### SHARE CAPITAL OF OUR COMPANY

The following shows the authorised share capital and the share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised):

#### Authorised share capital:

	<b>Aggregate nominal value</b>
	US\$
<u>5,000,000,000</u> Shares of US\$0.00001 each	50,000

#### Shares issued or to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Global Offering.

<u>Number of shares</u>	<u>Aggregate nominal value</u>	<u>Approximate percentage of issued share capital</u>
	US\$	(%)
1,000,000 Shares in issue as at the date of this prospectus	10	0.2
374,000,000 Shares to be issued pursuant to the Capitalisation Issue (including 30,000,000 Sale Shares)	3,740	81.3
85,000,000 New Shares to be issued pursuant to the Global Offering	850	18.5
<u>460,000,000</u> Total	<u>4,600</u>	<u>100.0%</u>

### ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Capitalisation Issue and the Global Offering. The above does not take into account any Shares: (i) which may be issued pursuant to the exercise of the Over-allotment Option; or (ii) which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

## SHARE CAPITAL

### RANKING

The Offer Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank equally for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus other than entitlement under the Capitalisation Issue.

### MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the total issued share capital of our Company in the hands of the public (as defined in the Listing Rules).

### GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

#### General mandate to issue Shares

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible to Shares (including the sale or transfer of treasury shares by our Company), in compliance with the Listing Rules, with a total number of not more than the sum of:

- 20% of the number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering; and
- the total number of Shares repurchased by us under the authority referred to in the paragraph headed “Share Capital — General Mandates to Issue and Repurchase Shares — General mandate to repurchase Shares” of this section.

The general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company;
- upon the expiry of the period within which our Company is required by any applicable law of Hong Kong or the Articles of Association or any applicable laws of the Cayman Islands to hold its next annual general meeting; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

For details of this general mandate, please refer to the paragraph headed “Statutory and General Information — A. Further Information About Our Group — 4. Written resolutions of our Shareholder passed on 14 May 2024” in Appendix IV to this prospectus.

## SHARE CAPITAL

### General mandate to repurchase Shares

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with a total number of up to 10% of the total number of our Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering.

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. For a summary of the relevant Listing Rules, please refer to the paragraph headed “Statutory and General Information — A. Further Information About Our Group — 6. Repurchases by our Company of its own securities” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company;
- upon the expiry of the period within which our Company is required by any applicable laws of Hong Kong or the Articles of Association or any applicable laws of the Cayman Islands to hold its next annual general meeting; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

For details of this general mandate to repurchase Shares, please refer to the paragraph headed “Statutory and General Information — A. Further Information About Our Group — 4. Written resolutions of our Shareholder passed on 14 May 2024” in Appendix IV to this prospectus.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

Upon completion of the Capitalisation Issue and the Global Offering, our Company has only one class of shares in issue, namely Shares, each of which shall rank *pari passu* with the other Shares.

Pursuant to the Cayman Companies Act and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of its Shareholders: (i) increase its share capital; (ii) consolidate and divide any of its share capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; or (v) cancel any Shares which have not been taken. In addition, our Company may reduce or redeem its share capital by shareholders’ special resolution. For details, please refer to the paragraph headed “Summary of the Constitution of our Company and Company Law of the Cayman Islands — 2. Articles of Association — (a) Shares — (iii) Alteration of capital” in Appendix III to this prospectus.



## SHARE CAPITAL

Pursuant to the Cayman Companies Act and the terms of the Memorandum and Articles of Association, all or any of the rights attached to the Share or any class of Shares may only be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the voting rights 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. For details, please refer to the paragraph headed “Summary of the Constitution of our Company and Company Law of the Cayman Islands — 2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus.

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*The following discussion and our analysis should be read in conjunction with our consolidated financial statements included in the Accountants' Report in Appendix I, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS.*

*The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this prospectus, including but not limited to the sections headed "Risk Factors" and "Business".*

*For the purposes of this section, unless the context otherwise requires, references to 2021, 2022 and 2023 refer to our fiscal years ended 31 December of such years.*

### OVERVIEW

We ranked the 11<sup>th</sup> in the Internet data centre industry among carrier-neutral service providers in terms of revenue in 2022 with a market share of 0.6%. We provide highly bespoke, flexible, and constructive IDC Solution Services to our clients, who are the top-notch Internet companies and cloud computing service providers in the PRC. Our IDC Solution Services include the provision of colocation services and infrastructure management services. We established an extensive presence in the PRC, providing IDC Solution Services in 38 cities across 19 major provinces for the years ended 31 December 2021, 2022 and 2023, with total bandwidth usage of approximately 316,508 Gbps recorded during the Track Record Period.

As a form of infrastructure and computing service distinguishable from our IDC Solution Services in that they enable our clients and their customers to build, secure and deliver digital experiences at the edge of Internet, based upon our self-built edge computing infrastructure, Edge Computing Services, under the brand of *Lingjing Cloud* (靈境雲) was launched and started to realise revenue in 2022. Edge Computing Services represent the convergence of the content delivery network (CDN) with functionality which has been traditionally delivered by hardware-centric appliances such as DDoS solutions. It aims to move computing power and logic as close to the end-user as possible.

In addition, we provide ICT Services and Other Services on a project basis, per our clients' occasional enquiries and requests.

We experienced the continuous growth during the Track Record Period. Our total revenue increased by 18.2% from RMB464.3 million for the year ended 31 December 2021 to RMB548.8 million for the year ended 31 December 2022, and further increased by 26.8% to RMB695.9 million for the year ended 31 December 2023, representing a CAGR of 22.4%. Our net profit amounted to RMB12.7 million, RMB8.0 million and RMB14.2 million for the years ended 31

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December 2021, 2022 and 2023, respectively. Our adjusted net profit (non-IFRS measure), a non-IFRS measure defined as net profit excluding the impacts of listing expenses, was RMB20.9 million, RMB13.6 million and RMB23.6 million for the years ended 31 December 2021, 2022 and 2023, respectively. For details, please refer to the paragraph headed “— Non-IFRS Measures: Adjusted Net Profit” of this section.

### **BASIS OF PREPARATION**

The historical financial information of our Group (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 (the “**IASB**”). All IFRSs effective for the accounting period commencing from 1 January 2023, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information consistently throughout the relevant years. The Historical Financial Information has been prepared under the historical cost convention, except for certain financial assets at fair value through profit or loss (“**FVPL**”), which are carried at fair value.

The preparation of Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates and judgements. It also requires management to exercise its judgement in the process of applying our accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 4 to the Accountants’ Report in Appendix I to this prospectus.

### **MAJOR FACTOR AFFECTING OUR RESULTS OF OPERATIONS**

Our Group’s financial condition and results of operations have been and will continue to be affected by a number of factors, including those set out below:

#### **Company Specific Factors**

Our business and results of operations are generally affected by the development of the China IDC solution service market. We have benefited from rapid growth in this market during recent years and any adverse changes in the data centre market in China may harm our business and results of operations. In addition, we believe that our results of operations are directly affected by the following key factors.

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### *Ability to source data centres*

Our revenue growth depends on our ability to source additional data centre resources. We endeavor to ensure continuous availability of data centre capacity to satisfy clients by maintaining a supply of data centre resources. We expand our sourcing of additional data centre area by purchasing existing data centre capacity from state-owned telecommunication carriers or other small-and-medium data centre owners and operators. Our ability to maintain a growing supply of data centre resources directly affects our revenue growth potential.

If we are unable to obtain suitable new data centre resources or to do so at an acceptable cost to us, our ability to grow our revenue and improve our results of operations would be negatively affected. Additionally, if demand slows unexpectedly, the resulting overcapacity would adversely affect our results of operations.

### *Ability to improve clients' retention*

Our ability to maintain long-term revenue growth and improve profitability largely depends on our ability to retain our existing clients. In the past, we have been able to (i) deliver consistent quality solution services to our clients with our effective maintenance service team and (ii) cater to the evolving needs of our clients. Therefore, we were able to provide and improve our colocation and infrastructure management services to meet the evolving clients' needs. We were also committed to providing our clients with various system maintenance and after-sale services so as to respond to clients' requests in a timely and responsive manner.

We believe the average annual churn rate is an indicator helping us in assessing client loyalty, and we calculate the average annual churn rate as the ratio of annual service revenue from agreements which terminated or expired without renewal during the year to the total annual service revenue for the preceding year. The average annual churn rates for the years ended 31 December 2021, 2022 and 2023 were 2.7%, 3.9% and 3.2%, respectively. We also believe the client's annual net dollar retention rate indicates our ability to increase revenue from our existing clients. To calculate this rate for the current year, we first identify the clients who engage us for our IDC Solution Services, Edge Computing Services and/or ICT Services and Other Services in both the current year and immediately preceding year. We then calculate the client's annual net dollar retention rate for the current year using the revenue attributable to the identified group of clients in the current year as the numerator and the revenue attributable to the same group of clients in the immediately preceding financial year as the denominator. We believe that this rate provides meaningful insight into revenue contribution from our existing clients over years, indicating our ability to drive their lifetime value.

We consider our client's annual net dollar retention rate is more meaningful to our business operations given we have been strategically making continuous efforts to drive the lifetime value of our clients while we continue to optimise our client base. We achieved a client's annual net dollar retention rate of 163.4%, 121.0% and 97.5%, for the years ended 31 December 2021, 2022 and 2023, respectively. We believe such a high and fast-increasing client's net dollar retention rate during the years not only demonstrated clients' satisfaction with our IDC Solution Services and ICT

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Services Edge Computing Services and/or Other Services, our ability to continuously grow revenue from our existing clients, but also our ability to explore new clients. The relatively high client's retention rate and the change during the years were generally in line with our strategy of increasing the lifetime value of our clients while optimising and expanding our client base.

### *Our ability to identify market trends and clients' needs*

As the bridge between the Internet companies and cloud computing service providers on one hand and our state-owned telecommunication carrier suppliers on the other, we believe that our sustainable development and future success rely on our ability to bring flexible, creative and scalable services to our clients. Our strong relationship with the state-owned telecommunication carriers enables us to effectively identify and predict market trends and our clients' needs and preferences, thereby allowing us to provide valuable and bespoke solutions to our clients and reinforce our close relationship with them. For example, with the emergence of AI content generation technology and the concept of Metaverse, our clients may experience exponential growth of demand for IDC solution and edge computing solution for their high-definition video delivery and algorithmic analysis. We began to introduce EdgeCDN Services as part of the Edge Computing Services by enabling our clients' customers to have access to a copy of content closest to them so that content loading time is minimised.

Clients' satisfaction of our services is a key factor affecting our business. Excellent operation in each stage of our IDC Solution Services, including cross-regional needs for IDC Solution Services and stable provision of network traffic can improve our clients' loyalty to our services and help us attract new clients.

### *Our ability to manage costs and improve operational efficiency*

We believe our ability in cost management is critical in improving our profitability. By leveraging our infrastructure management experience in expanding and enhancing our IDC Solution Services, we can acquire new clients at a competitive price and deliver our services efficiently due to economies of scale and the spread of overhead costs alongside our business expansion. As a result, our selling and distribution expenses, and administrative expenses as a percentage of our revenue have generally exhibited a slight increasing trend during the three years ended 31 December 2023. Our selling and distribution expenses for the three years ended 31 December 2023 amounted to RMB3.6 million, RMB5.1 million and RMB8.1 million, respectively, accounting for 0.77%, 0.93% and 1.16%, respectively, of the revenue during the same years. Our administrative expenses for the three years ended 31 December 2023 amounted to RMB22.2 million, RMB29.9 million and RMB35.7 million, respectively, accounting for 4.79%, 5.45% and 5.13%, respectively, of the revenue during the same years. As we continue to grow our business, we expect to benefit from economies of scale and achieve higher operation efficiency.

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*Our ability to improve and upgrade service offering mix and optimise client mix to improve profitability*

Our ability to scale up our Edge Computing Services is crucial to our revenue, profit growth and profitability improvement in the long term. During the Track Record Period, we offered EdgeCDN Services and have launched our EdgeAIoT Services under *Lingjing Cloud*. Other Edge Computing Services including improved streaming functions, acceleration function, data security function and storage function under the brand of EdgeDOS (邊緣對象存儲) and EdgeLive (邊緣流媒體直播) are under development and certain new service offerings are expected to be launched by the second half of 2024. The following table sets forth revenue generated from and gross profit margin of our services during the Track Record Period.

	For the year ended 31 December					
	2021		2022		2023	
	Revenue RMB'000	Gross profit margin %	Revenue RMB'000	Gross profit margin %	Revenue RMB'000	Gross profit margin %
IDC Solution Services	437,232	11.5	538,662	12.4	673,752	11.9
Edge Computing Services	—	—	5,202	18.4	18,064	20.4
ICT Services and Other Services	27,044	23.5	4,889	27.8	4,133	86.1
Total	464,276	12.2	548,753	12.6	695,949	12.6

Our Edge Computing Services generally provide higher gross profits margin as compared to our IDC Solution Services, primarily attributable to higher average selling prices. To capitalise on tremendous market opportunities and to continue to scale up our Edge Computing Services to improve profitability, we will continue to invest in the development of our service offerings under our Edge Computing Services. Regarding our IDC Solution Services, with a sizeable number of top-notch clients, it becomes our strategy to focus on our major clients who could generate profitable businesses to us.

In addition, it is our strategy to place increasing focus on our IDC Solution Services and our newly developed Edge Computing Services, which tend to generate stable and sustainable revenue, away from our ICT Services and Other Services, which tend to be project-based with relatively less predictable future revenue and gross profit margin. During the Track Record Period, our revenue from our ICT Services and Other Services decreased from 5.8% of our total revenue in 2021 to 0.9% of our total revenue in 2022 and further to 0.6% of our total revenue in the year ended 31 December 2023.

### *Pricing Structure*

Depending on the agreement, we agree with our client to either charge them per actual bandwidth usage (95<sup>th</sup> Percentile Bandwidth Charging Model) or per the number of packet ports used at the fixed price per packet port (Packet Port Charging Model). Accordingly, any variance in the charge rate or charging model will affect our profitability to us.

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### *Continuous investment in research and development and ability to innovate*

Our business and results of operations depend on the dynamic nature of our business model in response to clients' evolving need. As at the Latest Practicable Date, we had established a three-tiered research structure, where (i) the first tier is our technology committee consisting of our senior management, principally responsible for formulating research direction; (ii) the second tier is our pre-research team, principally responsible for developing forward-looking technologies and collaboration with our existing research; and (iii) the third tier is our Edge Computing Services research team, principally responsible for the commercialisation, and application of our Edge Computing Services. In addition, we categorise our research into three categories, namely, independent innovation research, major clients' demand-based research and existing product renovation research. Independent innovation research refers to the development of cutting-edge and core technologies for our service offering in light of the direction formulated by the technology committee, market research, and results of our pre-research team. Major clients' demand-based research refers to our research per clients' request. By existing product renovation research, we take into consideration of market status, our business development stage, market research and feedback from our clients. We believe having a clearly defined division of labour and product categorisation would effectively enhance our service and product quality.

We continued to make substantial investment in research and development and our research and development expenditures amounted to RMB17.0 million, RMB23.6 million and RMB22.2 million, respectively, for the three years ended 31 December 2023.

To maintain our competitive market share and solidify our position in the market, we plan to expand our market share by deepening our relationship with our existing clients, increasing our service offerings, enlarging our client base, and pursuing regional opportunities horizontally and deeper service offering depth vertically. To attain this, we strive to attract and retain top talents to expand our research and development team.

### **OVERALL IMPACT OF THE OUTBREAK OF COVID-19 ON OUR FINANCIAL PERFORMANCE**

Starting in January 2020, the COVID-19 pandemic has spread around the world. As at the Latest Practicable Date, such outbreak affected the public health in the world and significantly disrupted global travel and economy. In order to combat the outbreak of COVID-19, the PRC government authorities have imposed various controls and restrictions, which include quarantine orders to restrict entry and exit and temporary business suspension in various provinces and cities.

At the early stage of the outbreak of COVID-19, temporary disruptions were caused to our business operations. As our business operations require a significant amount of capital, we need adequate and timely sources of funding to maintain and further develop our business. Borrowings from financial institutions in China have been one of our major funding sources. During the COVID-19 pandemic, some financial institutions slightly prolonged internal approval processes.



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Despite the foregoing, we believe that the outbreak of COVID-19 did not have a material impact on our cash inflow and liquidity position. During the Track Record Period, none of our debt application was rejected by financial institutions due to the COVID-19 outbreak.

In terms of revenue generation, we were positively impacted by government controls and restrictions implemented under COVID-19 as companies were driven to adopt and implement digital transformations. There has been a continuously increasing market demand for Internet and IDC services. During the Track Record Period, our total revenue generated from IDC Solution Services amounted to RMB437.2 million, RMB538.7 million and RMB673.8 million for the years ended 31 December 2021, 2022 and 2023, respectively, primarily due to the business expansion and the continuous rise in our existing clients' demand for our IDC Solution Services. Moreover, we received government subsidies and government grants from the PRC government for the purpose of easing the impact caused by the COVID-19 pandemic in the sum of approximately RMB3.2 million in 2021.

The PRC government gradually eased restrictive measures on business and social activities in December 2022, and has re-opened the borders since January 2023. The relaxation of rules such as allowing infected people with mild or no symptoms to quarantine at home shows a strong sign of promoting economic recovery since the outbreak of COVID-19.

Taking into account (i) the continuous growth of the Internet and IDC services industries despite the outbreak of COVID-19 from 2020 to 2022; and (ii) the general increasing trend of our revenue, being RMB464.3 million, RMB548.8 million and RMB695.9 million for the three years ended 31 December 2023, our Directors are of the view and the Sole Sponsor concurs that the outbreak of COVID-19 did not cause and is not expected to cause any material impact on us.

### **MATERIAL ACCOUNTING POLICY INFORMATION, JUDGEMENTS AND ESTIMATES**

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continuously evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events which are deemed to be reasonable under the circumstances. Our Directors believe that there has not been any material deviation from our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. Our Directors also believe that we do not expect any material changes to these estimates and assumptions in the foreseeable future.

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Set forth below are accounting policies which we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our material accounting policy information, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in further detail in notes 3 and 4 to the Accountants' Report in Appendix I to this prospectus.

### **Revenue Recognition**

Our Group is engaged in the business of providing (i) IDC Solution Services; (ii) Edge Computing Services; and (iii) ICT Services and other Services. Revenue from contracts with clients is recognised when control of goods or services is transferred to the clients at an amount that reflects the consideration to which our Group expects to be entitled in exchange for those goods or services.

#### *Provision of IDC Solution Services*

Revenue from the provision of IDC Solution Services is recognised over the scheduled period because the customer simultaneously receives and consumes the benefits provided by the Group. For contracts where considerations are fixed, the related revenues are recognised on a straight-line basis based on the contract price. For contracts where considerations are based on the usage of the IDC Solution Services, the related revenues are recognised based on the consumption of high-speed internet access bandwidth resources at the predetermined rate when the services are rendered throughout the contract term.

#### *Provision of edge computing services*

Edge computing services include content delivery network services, EdgeAIoT Services and other edge functionality which has been traditionally delivered by hardware-centric appliances. The nature of the performance obligation is a single performance obligation to be ready to provide integrated services throughout the contract period. Revenue from the provision of edge computing services is recognised over the scheduled period because the customer simultaneously receives and consumes the benefits provided by the Group. For contracts where considerations are fixed, the related revenues are recognised on a straight-line basis based on the contract price which is fixed. For contracts where considerations are based on the usage of the edge computing services, the related revenues are recognised based on the consumption of high-speed internet access bandwidth resources at the predetermined rate as the services are rendered throughout the contact term.

#### *Provision of ICT Services and Other Services*

Revenue from ICT services is primarily generated through the provision of customer-fit information communications technology solutions to our clients, system development and maintenance, consultation services and provision of cloud computing hardware resources. And revenue from other services is primarily generated through the provision of network acceleration

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service, text messaging service, call service and WeChat corporate mini-application development service for our enterprise clients. Revenue is recognised at a point in time when the control of the customer-fit product is transferred to the customer or the service is accepted by the customer.

### *Other income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument of the net carrying amount of the financial asset.

### **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 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, associates and joint ventures, 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 carry-forward 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

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- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, 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, and simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### **Impairment of financial assets and non-financial assets**

For details of our accounting policies regarding the impairment of financial assets, please refer to the paragraph headed “Accountants’ Report — II. Notes to the Historical Financial Information — 3. Material accounting policy information — Impairment of financial assets” in Appendix I to this prospectus.

For details of our accounting policies regarding the impairment of non-financial assets, please refer to the paragraph headed “Accountants’ Report — II. Notes to the Historical Financial Information — 3. Material accounting policy information — Impairment of non-financial Assets” in Appendix I to this prospectus.

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### **Our basis of provision for/write-off of trade receivables**

We perform an impairment analysis at the end of each of the three years ended 31 December 2023 using estimated loss rate to measure expected credit losses. The estimated loss rates are based on historical observable default rates over expected life of the debts, study of each specific customer's credit-rating from external agency and default and recovery data for different credit-rating from external agency, and are adjusted for forward-looking information that is available without undue cost or effort, for example the economic growth rate forecast of the PRC, which reflect the general economic conditions of the industry in which our debtors operate. The calculation reflects the probability-weighted outcome based on reasonable and supportable information available as at the time of the calculation about past events, current conditions and forecasts of future economic conditions. We apply the simplified approach to providing for our expected credit losses as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

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### CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth our consolidated statements of profit or loss and other comprehensive income with line items in absolute amounts for the years indicated, which is extracted from the Accountants' Report in Appendix I to this prospectus:

	For the year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Revenue	464,276	548,753	695,949
Cost of sales	(407,840)	(479,810)	(608,308)
Gross profit	56,436	68,943	87,641
Other income and gains	3,476	476	1,318
Selling and distribution expenses	(3,567)	(5,087)	(8,145)
Administrative expenses	(22,229)	(29,880)	(35,681)
Research and development expenses	(17,024)	(23,574)	(22,231)
Impairment losses on financial assets	114	(465)	(4,155)
Other expenses	(183)	(388)	(89)
Finance costs	(2,290)	(2,362)	(3,987)
<b>PROFIT BEFORE TAX</b>	14,733	7,663	14,671
Income tax (expense)/credit	(2,048)	371	(447)
<b>Profit and total comprehensive income for the year</b>	<b>12,685</b>	<b>8,034</b>	<b>14,224</b>
<b>Profit and total comprehensive income for the year is attributable to:</b>			
— owners of the parent	12,685	8,034	13,923
— non-controlling interests	—	—	301

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### NON-IFRS MEASURES: ADJUSTED NET PROFIT

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

We define "adjusted net profit (non-IFRS measure)" as profit/loss for the year and add back listing expenses. During the Track Record Period, our listing expenses referred to expenses we incurred in connection with the Global Offering.

The following table sets forth the reconciliations of our adjusted net profit (non-IFRS financial measure) for the years ended 31 December 2021, 2022 and 2023 to the nearest measure prepared in accordance with IFRS:

	For the year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
<b>Net profit</b>	<b>12,685</b>	<b>8,034</b>	<b>14,224</b>
Adjust for:			
Listing expenses	8,244	5,583	9,376
<b>Adjusted net profit (non-IFRS measure)</b>	<b>20,929</b>	<b>13,617</b>	<b>23,600</b>

Our adjusted net profit (non-IFRS measure) for the year decreased by 34.9% from RMB20.9 million for the year ended 31 December 2021 to RMB13.6 million for the year ended 31 December 2022, mainly as a result of the increase in the research and development expenses, which was attributable to (i) the hiring of new and qualified research and development staff and (ii) the testing fee of RMB5.7 million incurred for testing the performance of edge nodes at the edge computing infrastructure in Shandong Province, and the increase in the administrative expenses attributable to the increase of salaries and benefits of our administration employees. Our adjusted net profit (non-IFRS measure) increased from RMB13.6 million for the year ended 31 December 2022 to RMB23.6 million for the year ended 31 December 2023 while our adjusted net profit margin (non-IFRS measure) increased from 2.5% to 3.4% during the same years, respectively. Since our gross profit margin remained stable at 12.6% for both the years ended 31 December 2022 and 2023, the increase in our adjusted net profit margin (non-IFRS measure) was primarily attributable to our improvement in operational efficiency as evidenced by the facts that, although we recorded a significant growth in revenue by 26.8% for the year ended 31 December 2023, our research and development expenses decreased by 5.7% while our administrative expenses increased to a lesser extent by 19.4%.



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### DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

#### Revenue

During the Track Record Period, we generated revenue from three operating segments: (i) IDC Solution Services; (ii) Edge Computing Services; and (iii) ICT Services and Other Services. The IDC Solution Services are currently the largest segment, which accounted for 94.2%, 98.2% and 96.8% of our revenue for the three years ended 31 December 2023.

	For the year ended 31 December					
	2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%
IDC Solution Services	437,232	94.2	538,662	98.2	673,752	96.8
Edge Computing Services	—	—	5,202	0.9	18,064	2.6
ICT Services and Other Services	27,044	5.8	4,889	0.9	4,133	0.6
Total	464,276	100.0	548,753	100.0	695,949	100.0

During the Track Record Period, our total revenue generated from IDC Solution Services amounted to RMB437.2 million, RMB538.7 million and RMB673.8 million for the years ended 31 December 2021, 2022 and 2023, respectively. The increase was primarily due to the business expansion, introduction of new top-notch clients to our client base and the continuous rise in our existing clients' demand for our IDC Solution Services.

It is our strategy to place increasing focus on our IDC Solution Services and our newly developed Edge Computing Services, which tend to generate stable and sustainable revenue, compared to our ICT Services and Other Services, which tend to be project-based and the future revenue of which is less predictable. For the three years ended 31 December 2023, the proportion of revenue generated from our IDC Solution Services and Edge Computing Services to our total revenue increased from 94.2% to 99.4% for the year ended 31 December 2023, while that from our ICT Services and Other Services decreased from 5.8% to 0.6% for the year ended 31 December 2023.

#### *IDC Solution Services*

Our IDC Solution Services comprise the provision of colocation services and infrastructure management services. For details of our IDC Solution Services, please refer to the paragraph headed “Business — Our Services — IDC Solution Services” in this prospectus.

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For the years ended 31 December 2021, 2022 and 2023, revenue from our IDC Solution Services was approximately RMB437.2 million, RMB538.7 million and RMB673.8 million, respectively, representing 94.2%, 98.2% and 96.8% of our revenue in the same years.

The following table sets forth the revenue breakdown of (chargeable by bandwidth usage) our IDC Solution Services by the different pricing models.

	For the year ended 31 December					
	2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%
By the 95 <sup>th</sup> Percentile Bandwidth Charging Model	275,116	62.9	466,550	86.6	561,177	83.3
By the Packet Port Charging Model	94,527	21.6	56,595	10.5	59,925	8.9
Others <sup>(Note)</sup>	67,589	15.5	15,517	2.9	52,650	7.8
Total	437,232	100.0	538,662	100.0	673,752	100.0

*Note:* “Others” includes revenue from IDC Solution Services chargeable by cabinet expenses, IP expenses and others.

We generally charge our clients by a mix of the 95<sup>th</sup> Percentile Bandwidth Charging Model and the Packet Port Charging Model. Such charging mix may vary, depending on the client’s demand for bandwidth usage and supplier’s varying bandwidth unit cost to us year by year. Generally, our clients prefer to be more charged by the 95<sup>th</sup> Percentile Bandwidth Charging Model due to its pay-as-you-use nature, despite a higher unit cost. Along with our business and operation expansion during the Track Record Period, the revenue from the 95<sup>th</sup> Percentile Bandwidth Charging Model increased with our revenue growth by 104.0% from RMB275.1 million for the year ended 31 December 2021 to RMB561.2 million for the year ended 31 December 2023. As our suppliers usually prefer us to purchase the bandwidth capacity from them in bulk under Packet Port Charging Model, the bandwidth cost charged by our supplier by the 95<sup>th</sup> Percentile Bandwidth Charging Model would generally be comparatively higher, we have therefore been offering more competitive pricing to our clients for using our Packet Port Charging Model. This was to encourage our clients to agree with our variation of charging structure through increasing the adoption of Packet Port Charging Model. Despite the economic incentives given to our clients for purchasing bandwidth by Packet Port Charging Model from us, our clients remained prefer to be charged under the 95<sup>th</sup> Percentile Bandwidth Charging Model. Our revenue from Packet Port Charging Model increased by 5.8% from RMB56.6 million for the year ended 31 December 2022 to RMB59.9 million for the year ended 31 December 2023 while our revenue from other charging model increased by 240% from RMB15.5 million to RMB52.7 million during the same years, which were primarily attributable to our clients’ preferences and their business needs.

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### Edge Computing Services

Our Edge Computing Services is a form of infrastructure and computing service distinguishable from our IDC Solution Services and represents the convergence of the CDN with functionality which has been traditionally delivered by hardware-centric appliances such as DDoS solutions. For details of our Edge Computing Services, please refer to the paragraph headed “Business — Our Services — Edge Computing Services” in this prospectus. The revenue generated from Edge Computing Services amounted to RMB5.2 million for the year ended 31 December 2022, representing a proportion of 0.9% to the total revenue for the year ended 31 December 2022 and amounted to RMB18.1 million, representing a proportion of 2.6% of our total revenue for the year ended 31 December 2023. It is our Group’s strategy to place increasing emphasis on the development of Edge Computing Services given its relatively high profitability, market potential and our clients’ thriving pursuit of higher quality and quicker solution delivery. For details of the financial performance of our Edge Computing Services, please refer to the paragraph headed “Financial Information — Description of Major Components of Our Results of Operations — Gross profit and gross profit margin” of this section.

The following table sets forth the revenue breakdown of our Edge Computing Services by the different pricing models.

	For the year ended 31 December					
	2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%
By the 95 <sup>th</sup> Percentile Bandwidth Charging Model	—	—	1,022	19.6	17,920	99.2
By the Packet Port Charging Model	—	—	4,180	80.4	—	—
Others <sup>(Note)</sup>	—	—	—	—	144	0.8
Total	—	—	5,202	100.0	18,064	100.0

*Note:* “Others” includes the prepaid data pack for clients who have relatively smaller demand for bandwidth usage.

The 95<sup>th</sup> Percentile Bandwidth Charging Model is generally applicable to our Edge Computing Services. The revenue of RMB4.2 million generated under the Packet Port Charging Model for the year ended 31 December 2022 was due to an individual business related to the use of BMS. During the Track Record Period, our Group did not lease any BMS from any BMS suppliers. Instead, the BMS employed by our Group on this occasion were provided by the Weifang branch of Supplier A (the “**Supplier A Weifang Branch**”) for a trial period, due to the established relationship with the Supplier A Weifang Branch. For illustrative purposes only, the estimated leasing cost of such BMS for the trial period would have been approximately RMB240,000 if it had not been provided on a free trial basis. With the use of BMS under this circumstance, Client J was charged by the Packet

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Port Charging Model. As at the Latest Practicable Date, the Supplier A Weifang Branch has terminated the trial period and the adoption of Packet Port Charging Model to our clients is not expected to be prevalent in the future.

### *Our ICT Services and Other Services*

Our ICT Services and Other Services comprise custom-fit ICT services, short message service, phone plan recharge service and WeChat corporate mini-application development service to our enterprise clients. For details of our ICT Services and Other Services, please refer to the paragraph headed “Business — Our Services — ICT Services and Other Services” in this prospectus.

During the Track Record Period, revenue from our ICT Services and Other Services amounted to approximately RMB27.0 million, RMB4.9 million and RMB4.1 million, accounted for 5.8%, 0.9% and 0.6% of our total revenue for the same year respectively, for the three years ended 31 December 2023. We usually provide our ICT Services and Other Services on a project basis per clients’ occasional requests.

The following table sets forth the revenue breakdown of our ICT Services and Other Services.

	For the year ended 31 December					
	2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%
ICT services	26,981	99.8	4,845	99.1	4,086	98.9
Other services <sup>(Note)</sup>	63	0.2	44	0.9	47	1.1
Total	27,044	100.0	4,889	100.0	4,133	100.0

*Note:* “Other services” includes short message service, phone plan recharge service and WeChat corporate mini-application development service.

The ICT services are charged on a case-by-case basis, subject to the technology required, complexity of the projects and the relationship with the clients.

### **Cost of sales**

Our cost of sales primarily consists of IDC Solution Services-related costs, Edge Computing Services-related costs and ICT expenses, mainly contributed from bandwidth cost, cabinet expenses, IP expenses and maintenance expenses. The cost of sales amounted to RMB407.8 million, RMB479.8 million and RMB608.3 million for the years ended 31 December 2021, 2022 and 2023, respectively. During the three years ended 31 December 2023, the bandwidth cost accounted for the largest portion of our cost of sales, representing 80.3%, 95.1% and 87.5%, respectively, of our cost of sales in the same years. The overall increase was driven by the continuous growth of our

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business. The bandwidth cost refers to the amount charged to us by the state-owned telecommunication carriers and was directly and indirectly affected by the bandwidth usage of our clients. Therefore, the factors affecting the cost of sales of our Company were primarily (i) the volume of business as a result of our clients' demand and (ii) the adjustment of fees charged by state-owned telecommunication carriers in light of market circumstances.

The following table sets forth our cost of sales by segment, both in absolute amount and as a percentage of our cost of sales for the years indicated:

	For the year ended 31 December					
	2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%
IDC Solution Services						
— Bandwidth cost	327,610	80.3	456,137	95.1	532,513	87.5
— Cabinet/server rack cost	57,792	14.1	13,756	2.8	58,157	9.6
— IP address cost	256	0.1	138	0.1	724	0.1
— Maintenance and other cost <sup>(Note)</sup>	1,494	0.4	2,005	0.4	1,953	0.3
Sub-total of IDC Solution Services	387,152	94.9	472,036	98.4	593,347	97.5
Edge Computing Services	—	—	4,244	0.9	14,385	2.4
ICT Services and Other Services	20,688	5.1	3,530	0.7	576	0.1
<b>Total</b>	<b>407,840</b>	<b>100.0</b>	<b>479,810</b>	<b>100.0</b>	<b>608,308</b>	<b>100.0</b>

*Note:* Maintenance and other cost refers to cabling of optical fibres per clients' instructions.

There is a generally positive but not necessary correlation between cabinet usages and bandwidth usages. Generally when clients procure our IDC Solution Services, they usually procure in a package bundling bandwidth capacity, cabinets and IP addresses for their business needs. Thus, the more bandwidth is to be used, more cabinets and IP addresses would tend to be needed. However, clients may occasionally procure bandwidth capacity from us separately in light of their business needs. Our Group will charge the relevant fees according to the procurement cost from our suppliers. In 2021, as confirmed by our Company, Client B originally directly sourced a certain volume of bandwidth service and cabinet resources (the “**Original Arrangement**”) from the Wuxi branch of Supplier A (“**Supplier A’s Wuxi Branch**”), however, Supplier A’s Wuxi Branch could not deliver the required cabinet resources to Client B on time. Given that it was only the cabinet resources which the Supplier A’s Wuxi Branch was unable to deliver due to specific business needs of Client B, Client B then sought such cabinet resources from us for a transitional period until Supplier A’s Wuxi Branch was able to readily deliver the same. From the technical perspective, it is feasible to use the bandwidth service of Supplier A’s Wuxi Branch with the cabinets of other

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suppliers. From the commercial perspective, clients may occasionally procure bandwidth capacity and cabinet resources separately in light of their business needs. Under the established relationship with our Group, Client B learned of our Group’s better business connections for sourcing more diverse cabinet resources in Wuxi, and therefore turned to us to help sourcing temporary alternative cabinet resources. Our Group was able to source from another state-owned telecommunication carrier (“**Supplier P**”), to provide immediately available cabinet resources for Client B (the “**One-off Arrangement**”).

As confirmed by our Company, the One-off Arrangement was terminated in August 2021 when Supplier A’s Wuxi Branch could readily deliver adequate cabinet resources to satisfy Client B’s demand. To the best knowledge, information and belief of our Directors, we are not aware of any subsequent arrangement among Client B, Supplier A’s Wuxi Branch and Supplier P, for bandwidth services and/or cabinet resources. In this regard, the One-off Arrangement was transitional where our Group charged Client B RMB5,000 per cabinet, compared with the range of RMB5,000 to RMB6,000 per cabinet we charged our clients in nearby regions under normal circumstances. Supplier P charged us RMB4,600 per cabinet, compared with the range of RMB4,000 to RMB5,000 per cabinet charged by the suppliers in nearby regions under normal circumstances.

### Gross profit and gross profit margin

The following table sets forth our gross profit both in absolute amount and gross profit margin as a percentage of revenue, by segment for the years indicated.

	For the year ended 31 December					
	2021		2022		2023	
	gross profit RMB’000	gross profit margin %	gross profit RMB’000	gross profit margin %	gross profit RMB’000	gross profit margin %
IDC Solution Services	50,080	11.5	66,626	12.4	80,405	11.9
Edge Computing Services	—	—	958	18.4	3,679	20.4
ICT Services and Other Services	6,356	23.5	1,359	27.8	3,557	86.1
<b>Total</b>	56,436	12.2	68,943	12.6	87,641	12.6

The overall gross profit margin during the Track Record Period increased from 12.2% for the year ended 31 December 2021 to 12.6% for the year ended 31 December 2022 whereas the overall gross profit margin remained 12.6% for the year ended 31 December 2023. During the Track

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Record Period, the factors which affected the gross profit margin of our business include (i) our strategy to offer clients with competitive prices; (ii) the improved efficiency and utilisation rate of our bandwidth resource due to our enhanced scheduling capacity, resulting in the economies of scale; and (iii) a delay in the implementation of increased cost pass-through to clients, resulting from the time mismatch between the rise in the fees charged to us and the rise in our price charged to our clients; and (iv) the introduction of *Lingjing Cloud* which provided for higher gross profit margin.

The following table illustrates our Group's exposure to potential delay in cost pass-through in the data centres operated by two major branches of Supplier A as at the Latest Practicable Date:

<u>Branch of Supplier A<sup>(1)</sup></u>	<u>Previous maturity date of the data centre business agreement</u>	<u>Name of the corresponding clients</u>	<u>Maturity date of the colocation and infrastructure management service agreement<sup>(2)</sup></u>	<u>The discrepancy of maturity dates in terms of the number of months</u>	<u>Revenue generated from the relevant clients for the year ended 31 December 2023</u>
					<u>RMB'000</u>
Qingdao branch of Supplier A	18 April 2024 <sup>(3)</sup>	Client H	31 August 2024	4 <sup>(4)</sup>	28,024
		Client B	31 March 2024	2 <sup>(5)</sup>	41,375
		Client A	30 September 2024	5 <sup>(4)</sup>	5,099
		Client I	30 June 2025	14 <sup>(4)</sup>	13,869
		Client J	30 September 2025	15 <sup>(4)</sup>	40,319
		Other client	31 August 2024	4 <sup>(4)</sup>	8,555
Jinan branch of Supplier A	31 March 2024 <sup>(3)</sup>	Client B	31 August 2024	4	22,524

*Notes:*

- (1) Qingdao branch of Supplier A and Jinan branch of Supplier A are selected because the data centres in these two cities have contributed to a substantial portion of the cabinet usage and bandwidth usage provided to our clients during the Track Record Period. In particular, our managed data centres in these two cities in aggregate generated a cabinet usage ranging from 18.1% to 60.0% and a bandwidth usage ranging from 38.3% to 55.6% of our clients' total cabinet usage and bandwidth usage, respectively, in each of the year during the Track Record Period.
- (2) Only certain colocation and infrastructure management service agreements with potential delay in cost pass-through are included in this table for illustration. These agreements are selected because they present a larger impact on our business due to the potential delay in cost pass-through after taking into account (i) our business volume with the relevant client; (ii) the length of their contractual term; and (iii) the estimated revenue to be generated in such agreements.
- (3) According to the data centre business agreement entered into between the relevant branch of Supplier A and us, the agreement would be automatically and continuously renewed for three months.
- (4) The discrepancy of maturity dates was the differences in months between (i) the previous maturity date of the relevant data centre business agreement when the bandwidth cost was adjusted upward hypothetically and (ii) the maturity date of the relevant colocation and infrastructure management service agreement.



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- (5) The colocation and infrastructure management service agreement with Client B was expired and was under negotiation for renewal. Should the relevant agreements be renewed in June 2024, there will be no potential delay in cost pass-through until the next maturity date of the data centre business agreement with Qingdao branch of Supplier A.

Despite the discrepancy of maturity dates in case there is an upward adjustment of bandwidth cost, our Company will actively collect information to understand the future trend of price change of bandwidth resources in the market. If our Company sees any potential price change in the market, we will proactively communicate with clients in advance. Our Company will also try to negotiate price increases with our clients more flexibly instead of waiting to discuss such price increases until the contract is about to be renewed.

### Other income and gains

During the Track Record Period, our other income and gains primarily consisted of (i) government grants, and (ii) bank interest and investment income. Government grants was from the local government in Wuxi in support of our business development. Bank interest and investment income mainly represented interest income on bank deposits and wealth management products. Our other income and gain amounted to approximately RMB3.5 million, RMB476,000 and RMB1.3 million for the three years ended 31 December 2023, respectively.

### Selling and distribution expenses

Our selling and distribution expenses primarily consisted of (i) employee expenses; (ii) entertainment expenses incurred by our sales and marketing employees; (iii) travelling expenses incurred by our sales and marketing employees; (iv) office expenses; and (v) advertising and promotion expenses. As we assess and identify new business opportunities, the growth of our selling and distribution expenses may accelerate opportunistically, and we continue to dedicate selling and marketing efforts to further promote and expand our business. We will also leverage our networking effects to increase selling and marketing efficiency and we expect the proportion of selling and distribution expenses to the revenue to decline as a result.

The following table sets forth our selling and distribution expenses, sorted by nature, for the years indicated:

	For the year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Employee expenses <sup>(Note)</sup>	2,357	3,576	4,900
Entertainment expenses	805	1,399	2,184
Travelling expenses	203	111	643
Advertising and promotion expenses	198	—	300
Office expenses	4	1	118
Total	3,567	5,087	8,145

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*Note:*

Employee expenses refer to salaries, benefits and allowances to our sales employees.

For details of the reasons for the changes during the Track Record Period, please refer to the paragraph headed “— Year-to-year Comparisons of Results of Operations” of this section.

### Administrative expenses

Our administrative expenses primarily consisted of (i) employee benefit expenses; (ii) entertainment expenses; (iii) professional service fees, all of which being associated with our employees in general and administrative purposes; and (iv) listing expenses.

The following table sets forth our administrative expenses, sorted by nature, for the years indicated:

	<b>For the year ended 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Employee benefit expenses <sup>(1)</sup>	6,990	13,626	14,411
Entertainment expenses	2,133	2,193	2,711
Conference and office expenses	1,957	1,587	1,859
Travelling expenses	817	722	1,263
Rental expenses	158	410	364
Professional service fees	391	3,502	2,402
Depreciation and amortisation expenses	1,258	1,681	2,175
Tax and surcharges	182	414	468
Bank charges	33	60	53
Listing expenses	8,244	5,583	9,376
Others <sup>(2)</sup>	66	102	599
<b>Total</b>	<b>22,229</b>	<b>29,880</b>	<b>35,681</b>

*Notes:*

- (1) Employee benefit expenses refer to salaries, benefits and allowances to our administrative employees.
- (2) Others mainly include stamp duties and agent fees for social insurance contributions.

For details of the reasons for the changes during the Track Record Period, please refer to the paragraph headed “— Year-to-year Comparisons of Results of Operations” of this section.

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### Research and development expenses

Our research and development efforts are mainly focused on enhancing our core capabilities and developing new products and solutions. Our research and development expenses primarily consist of (i) technical support fees; (ii) employees benefit expenses for those engaging in research and development activities; (iii) materials expenses; and (iv) others. We expect to continue to invest significant human resources to further consolidate our leadership in the IDC solution service market and further develop our Edge Computing Services.

The following table sets forth our research and development expenses, sorted by nature, for the years indicated:

	For the year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Technical support fees <sup>(1)</sup>	11,907	11,283	7,923
Employees benefit expenses <sup>(2)</sup>	1,620	5,679	6,325
Material expenses	2,960	470	3,237
Others <sup>(3)</sup>	537	6,142	4,746
 Total	 17,024	 23,574	 22,231

*Notes:*

- (1) Technical support fees mainly represent the outsourced research and development costs in relation to the development of our systems for infrastructure management services, ICT Services and Other Services, CDN service development and patent application expenses.
- (2) Employee benefit expenses refer to salaries, benefits and allowances to our research and development employees.
- (3) Others represent depreciation and amortisation expenses, travelling expenses, intellectual property right services fees and testing fee.

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The following table sets forth our research and development expenses, sorted by nature and business segment, for the years indicated:

	For the year ended 31 December					
	2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%
<b>Technical support fees</b>						
— Edge Computing Services-related	11,907	100.0	11,283	100.0	2,229	28.1
— Others	—	—	—	—	5,694	71.9
<b>Total:</b>	<b>11,907</b>	<b>100.0</b>	<b>11,283</b>	<b>100.0</b>	<b>7,923</b>	<b>100.0</b>
<b>Employees benefit expenses</b>						
— Edge Computing Services-related	1,620	100.0	4,543	80.0	5,693	90.0
— Others	—	—	1,136	20.0	632	10.0
<b>Total:</b>	<b>1,620</b>	<b>100.0</b>	<b>5,679</b>	<b>100.0</b>	<b>6,325</b>	<b>100.0</b>
<b>Material expenses</b>						
— Edge Computing Services-related	2,960	100.0	16	3.3	2,536	78.3
— Others	—	—	454	96.7	701	21.7
<b>Total:</b>	<b>2,960</b>	<b>100.0</b>	<b>470</b>	<b>100.0</b>	<b>3,237</b>	<b>100.0</b>
<b>Others</b>						
— Edge Computing Services-related	537	100.0	6,019	98.0	4,155	87.5
— Others	—	—	123	2.0	591	12.5
<b>Total:</b>	<b>537</b>	<b>100.0</b>	<b>6,142</b>	<b>100.0</b>	<b>4,746</b>	<b>100.0</b>

During the Track Record Period, our Group has generally shifted the focus of research and development on the Edge Computing Services. The amount of technical support fees, mainly representing the outsourced research and development costs, peaked in 2021 and 2022 due to preparation and execution of the launch of the Edge Computing Services in 2022. Following the establishment of our Group's in-house research and development team headed by Mr. Zhu, the need for outsourcing research and development projects have been significantly reduced particularly in relation to the development of our Edge Computing Services, which explained a significant drop in the technical support fees in relation to Edge Computing Services by 80.5% from RMB11.3 million for the year ended 31 December 2022 to RMB2.2 million for the year ended 31 December 2023. Nevertheless, we have also sought external technical support to enhance the overall technical offering under our IDC Solution Services, as evidenced by the incurrence of other technical support fees of RMB5.7 million for the year ended 31 December 2023. As the research and development

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work for our Edge Computing Services are labour-intensive, the employees benefit expenses under the research and development of our Edge Computing Services have significantly increased from RMB1.6 million for the year ended 31 December 2021 to RMB4.5 million for the year ended 31 December 2022, and further increased to RMB5.7 million for the year ended 31 December 2023.

There was also an increase in material expenses from RMB470,000 for the year ended 31 December 2022 to RMB3.2 million for the year ended 31 December 2023. The material expenses are primarily Edge Computing Services-related, incurred in the testing of our in-progress development of our Edge Computing Services at various edge nodes. Such increase was mainly because of the shift of our research and development processes from third party research agents to our in-house research and development team, thereby incurring more expenses on material while decreasing the technical support fees which mainly consisted of outsourcing fees.

### **Net impairment losses recognised/(reversed) on financial assets**

Our net impairment losses on financial assets primarily represent provision for losses arising from our trade and other receivables in the ordinary course of business.

We recorded impairment losses on financial assets of RMB465,000 and RMB4.2 million for the year ended 31 December 2022 and 2023, respectively.

### **Other expenses**

During the Track Record Period, our other expenses gains primarily consisted of (i) charitable donations and (ii) disposal loss on non-current assets. Charitable donations mainly represented our donations to poverty alleviation charitable organisations in Wuxi. Disposal loss on non-current assets mainly represented the loss incurred in the disposal of certain electronic equipment. We recorded other expenses of approximately RMB183,000, RMB388,000 and RMB89,000 for the three years ended 31 December 2023, respectively.

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### Finance costs

Our finance expenses primarily consist of (i) interest expenses on bank borrowing and (ii) interest expenses on lease liabilities. We expect the finance costs to steadily increase per our increasing demand for banking facilities which is in line with business growth.

The following table sets forth our finance costs, by nature, for the years indicated:

	For the year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Interest expenses on loans and bank borrowing	2,262	2,349	3,937
Interest expenses on lease liabilities	28	13	50
Total	2,290	2,362	3,987

### Income tax expenses

Our income tax expense mainly comprises of the current and deferred income tax in the PRC. The table below sets forth the components of our income tax expenses for the years indicated:

	For the year ended 31 December		
	2021	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)
Profit before tax	14,733	7,663	14,671
Tax at the statutory tax rate	3,683	1,916	3,668
Lower tax rates for specific companies	(1,280)	(826)	(1,448)
Additional deduction of research and development expenses	(1,590)	(2,627)	(3,097)
Tax losses not recognised	7	65	94
Expenses not deductible for tax	1,228	1,101	1,233
Use of tax deductible losses from prior periods	—	—	(3)
Tax charge/(credit) at the Group's effective rate	2,048	(371)	447

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During the Track Record Period, our effective tax rate was 13.9%, -4.8% and 3.0%, respectively, which were lower than the Enterprise Income Tax rate of 25% in the PRC, primarily due to (i) the qualifications of our Consolidated Affiliated Entities, namely, Jiangsu Yiru, Yun Ruitian, Wuxi Xiankai and Shanghai Xiaojiang, as small low-profit Enterprises, entitled to preferential income tax rate of 10%; (ii) the certification of Cloud Factory as a “High-and-New Technology Enterprise”, entitled to a preferential income tax rate of 15%; and (iii) tax deduction of research and development expenses. As at the Latest Practicable Date, we did not have any disputes with any tax authority.

### *PRC*

Income tax provision of our Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations, and practices in respect thereof. The general corporate income tax rate in the PRC is 25%. An entity identified as a “High-and-New Technology Enterprise” will be granted a preferential income tax rate of 15%, and an entity certified as a small low-profit Enterprise will be granted a preferential income tax rate of 10%.

### *Cayman Islands*

We are incorporated under the laws of the Cayman Islands as an exempted company with limited liability under the Cayman Companies Act, and are not subject to tax on income or capital gain. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

### *British Virgin Islands*

Under the current laws of the British Virgin Islands, entities incorporated in the British Virgin Islands as BVI business companies are not subject to tax on income or capital gain. In addition, the British Virgin Islands does not impose a withholding tax on payments of dividends to shareholders.

### *Hong Kong*

Hong Kong profits tax rate is 16.5%. No provision for Hong Kong profits tax was provided as our Group did not have assessable profit in Hong Kong during the Track Record Period.

## **YEAR-TO-YEAR COMPARISONS OF RESULTS OF OPERATIONS**

### **The year ended 31 December 2023 compared to the year ended 31 December 2022**

#### *Revenue*

Our revenue increased by 26.8% from RMB548.8 million for the year ended 31 December 2022 to RMB695.9 million for the year ended 31 December 2023. The increase was primarily driven by the business expansion of our IDC Solution Services and the significant expansion of our Edge Computing Services since its launch in the second half of 2022.



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*IDC Solution Services:* Our revenue from IDC Solution Services increased by 25.1% from RMB538.7 million for the year ended 31 December 2022 to RMB673.8 million for the year ended 31 December 2023, representing 98.2% and 96.8% of the total revenue for the same years, respectively. The increase was mainly caused by (i) business expansion and our clients' rising demand for our IDC Solution Services; and (ii) an increase in the number of new clients who have engaged us for our IDC Solution Services.

*Edge Computing Services:* Our revenue from Edge Computing Services increased by 248.1% from RMB5.2 million for the year ended 31 December 2022 to RMB18.1 million for the year ended 31 December 2023, representing 0.9% and 2.6% of the total revenue for the same years, respectively. The significant surge in revenue was primarily caused by our repeating clients' decision to substantially increase their purchase amount for the year ended 31 December 2023 as well as the increase in the number of new clients from two to 11 for the same year.

*ICT Services and Other Services:* Our revenue from ICT Services and Other Services decreased by 16.3% from RMB4.9 million for the year ended 31 December 2022 to RMB4.1 million for the year ended 31 December 2023, representing a decrease from 0.9% to 0.6% of the total revenue for the same year, consistent with our strategy to place increasing focus on our IDC Solution Services and our newly developed Edge Computing Services, which tend to generate stable and sustainable revenue, away from our ICT Services and Other Services, which tend to be project-based and of which future revenue and gross profit margin are less predictable.

### *Cost of sales*

Our cost of sales increased by 26.8% from RMB479.8 million for the year ended 31 December 2022 to RMB608.3 million for the year ended 31 December 2023. The increase was in line with our business and service expansion in each of our IDC Solution Services and Edge Computing Services.

*IDC Solution Services:* Cost of sales from IDC Solution Services increased by 25.7% from RMB472.0 million for the year ended 31 December 2022 to RMB593.3 million for the year ended 31 December 2023, representing a slight decrease from 98.4% to 97.5% of the total cost of sales for the same years, respectively.

*Edge Computing Services:* Cost of sales from Edge Computing Services recorded a significant increase by 242.9% from RMB4.2 million for the year ended 31 December 2022 to RMB14.4 million for the year ended 31 December 2023, representing an increase from 0.9% to 2.4% of the total cost of sales for the same years, respectively. The significant increase was primarily because our Edge Computing Services was continuously progressing to a full-fledged operation since its launch in the second half of 2022, as evidenced by the increase in the number of clients from two to 16 for the same years, respectively.

*ICT Services and Other Services:* Cost of sales from ICT Services and Other Services decreased by 83.7% from RMB3.5 million for the year ended 31 December 2022 to RMB576,000 for the year ended 31 December 2023, representing a decrease from 0.7% to 0.1% of the total cost of sales for the same years, respectively. The decrease in cost of sales was consistent with our strategy to place increasing focus on our IDC Solution Services and our newly developed Edge Computing Services, which tend to generate stable and sustainable revenue, away from our ICT Services and Other Services, which tend to be project-based and of which future revenue and gross profit margin are less predictable.

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### *Gross profit and gross profit margin*

As a result of the foregoing, our gross profit increased by 27.1% from RMB68.9 million for the year ended 31 December 2022 to RMB87.6 million for the year ended 31 December 2023. Our gross profit margin remained 12.6% for the year ended 31 December 2023.

*IDC Solution Services:* Our gross profit margin in IDC Solution Services for the year ended 31 December 2023 remained largely stable at 11.9% as compared with 12.4% for the year ended 31 December 2022, which was mainly because our cost of sales for IDC Solution Services also increased proportionally with the increase in revenue for IDC Solution Services under ordinary business expansion.

*Edge Computing Services:* Our Edge Computing Services started to realise revenue in the second half of 2022 with a profit margin of 18.4% for the year ended 31 December 2022. The gross profit margin of our Edge Computing Services increased to 20.4% for the year ended 31 December 2023. The increase in gross profit margin was primarily attributable to our significant growth in revenue but with a less-than-proportional increase in the respective cost of sales as a result of our operational experiences gained in our provision of Edge Computing Services since the second half of 2022 to establish an increasingly efficient business model.

*ICT Services and Other Services:* Our gross profit margin in ICT Services and Other Services increased from 27.8% for the year ended 31 December 2022 to 86.1% for the year ended 31 December 2023. Such significant increase was primarily due to the recognition of the revenue generated from certain new ICT projects on net basis, which involved the provision of our services in relation to, among others, intelligent environment, big data, software platforms and cloud. These new ICT projects in aggregate constituted to 85.2% of our revenue recorded under this business segment for the year ended 31 December 2023. In particular, we have been engaged by a client providing services to educational institutions for the procurement of software infrastructure platform and certain offline services for conducting remote management and monitoring of multiple air purifiers at different locations. The abovementioned project contributed a gross profit of RMB1.3 million which accounted for 36.7% of our gross profit recorded under this business segment for the year ended 31 December 2023. Our ICT Services and Other Services are project-based and one-off in nature. Thus, the revenue generated therefrom may fluctuate over the years, depending on the availability and size of projects.

### *Other income and gains*

Our other income and gains increased by 176.9% from RMB476,000 for the year ended 31 December 2022 to RMB1.3 million for the year ended 31 December 2023, primarily due to (i) the government grants under the Wuxi Technological Innovation and Venture Fund (無錫市科技創新創業資金) by the Science and Technology Bureau of Wuxi (無錫市科技局) and Finance Bureau of Wuxi (無錫市財政局) amounting to approximately RMB1.1 million; and (ii) the bank interest and investment income amounting to approximately RMB214,000.

### *Selling and distribution expenses*

Our selling and distribution expenses increased by 58.8% from RMB5.1 million for the year ended 31 December 2022 to RMB8.1 million for the year ended 31 December 2023, primarily due to (i) the increase in entertainment expenses by 57.1% from RMB1.4 million for the year ended 31 December 2022 to RMB2.2 million for the year ended 31 December 2023 and (ii) the increase in employee expenses as well as travelling expenses of our sales staff from RMB3.6 million to RMB4.9 million and RMB111,000 to RMB643,000, respectively, as a result of our general business expansion and the increased business development activities and client visits stemming from loosened COVID travel restrictions in 2023.

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### *Administrative expenses*

Our administrative expenses increased by 19.4% from RMB29.9 million for the year ended 31 December 2022 to RMB35.7 million for the year ended 31 December 2023, primarily due to (i) the increase in Listing expenses by 67.9% from RMB5.6 million to RMB9.4 million; and (ii) the rise in staff costs in relation to non-sale staff by 5.9% from RMB13.6 million to RMB14.4 million, for the respective years.

### *Research and development expenses*

Our research and development expenses remained largely stable at RMB22.2 million for the year ended 31 December 2023 when compared with RMB23.6 million for the year ended 31 December 2022, representing a slight decrease of 5.9%. Such change was primarily due to the combined effect of the significant decrease in Edge Computing Services-related technical support fees from RMB11.3 million to RMB2.2 million and the overall decrease in other expenses from RMB6.1 million to RMB4.7 million for the respective years, as partially counteracted by the incurrence of other technical support fees of RMB5.7 million for the year ended 31 December 2023 and the increase in material expenses from RMB470,000 to RMB3.2 million for the respective years. Regarding the technical support fees, although we have established our in-house research and development team headed by Mr. Zhu, which significantly reduced our need for outsourcing research and development projects particularly in relation to the development of our Edge Computing Services as evidenced by the significant decrease in Edge Computing Services related technical support fees as mentioned above, we have sought external technical support to enhance the overall technical offering under our IDC Solution Services which constituted the incurrence of other technical support fees for the year ended 31 December 2023. In addition, with a view to facilitate the development of our Edge Computing Services, we have increased our capital input in material expenses for the year ended 31 December 2023 for conducting various tests, trials and experiments at various edge nodes.

### *Net impairment loss recognised/(reversed) on financial assets*

Our net impairment losses on financial assets increased by 740.0% from RMB465,000 for the year ended 31 December 2022 to RMB4.2 million for the year ended 31 December 2023, which was primarily attributable to an increase in (i) our trade receivables recognised during the year, resulting in an increase of bad debt provision; and (ii) the impairment losses of our long-term receivables.

### *Other expenses*

Our other expenses decreased by 77.1% from RMB388,000 for the year ended 31 December 2022 to RMB89,000 for the year ended 31 December 2023, primarily attributable to a reduction in donation.

### *Profit for the year*

As a result of the foregoing, our profit increased by 77.5% from RMB8.0 million for the year ended 31 December 2022 to RMB14.2 million for the year ended 31 December 2023, primarily due to the increase in our total gross profit by 27.1% from RMB68.9 million to RMB87.6 million, partially offset by (i) the increase in our administrative expenses from RMB29.9 million to

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RMB35.7 million for the respective years, representing an increase of 19.4%, which mainly reflected the increase in our Listing expenses from RMB5.6 million to RMB9.4 million for the same years; (ii) the increase in our impairment losses on financial assets from RMB465,000 to RMB4.2 million for the respective years because of the increased bad debt provision as explained above; (iii) the increase in our selling and distribution expenses from RMB5.1 million to RMB8.1 million for the respective years as a result of our general business expansion and increased business development activities as explained above; and (iv) the increase in our finance costs from RMB2.4 million to RMB4.0 million for the respective years, which comprised mostly interest expenses on loans and borrowings, as a result of our increased borrowings for general working capital in view of our business expansion.

### **The year ended 31 December 2022 compared to the year ended 31 December 2021**

#### *Revenue*

Our revenue increased by 18.2% from RMB464.3 million for the year ended 31 December 2021 to RMB548.8 million for the year ended 31 December 2022. The increase was primarily driven by the business expansion of our IDC Solution Services.

*IDC Solution Services:* Our revenue from IDC Solution Services increased by 23.2% from RMB437.2 million for the year ended 31 December 2021 to RMB538.7 million for the year ended 31 December 2022, representing an increase from 94.2% to 98.2% to the total revenue for the same year. The increase was mainly caused by (i) business expansion and our clients' rising demand for our IDC Solution Services; (ii) an increase in revenue from our major clients due to our strategic emphasis our cooperation with major clients; (iii) continued introduction of new major clients to our services; and (iv) the launch of our Edge Computing Services under the brand of *Lingjing Cloud*.

*Edge Computing Services:* Our Edge Computing Services, whose operation commenced in 2022, started to realise revenue for the year ended 31 December 2022, which amounted to RMB5.2 million, representing 0.9% to the total revenue for the same year.

*ICT Services and Other Services:* Our revenue from ICT Services and Other Services decreased by 81.9% from RMB27.0 million for the year ended 31 December 2021 to RMB4.9 million for the year ended 31 December 2022, representing a decrease from 5.8% to 0.9% of the total revenue for the same year. Our ICT Services and Other Services are project-based and one-off in nature. Thus, the revenue generated therefrom may fluctuate over the years, depending on the availability and size of projects.

#### *Cost of sales*

Our cost of sales increased by 17.7% from RMB407.8 million for the year ended 31 December 2021 to RMB479.8 million for the year ended 31 December 2022. The increase was in line with our business and service expansion in each of our IDC Solution Services and Edge Computing Services.

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*IDC Solution Services:* Cost of sales from IDC Solution Services increased by 21.9% from RMB387.2 million for the year ended 31 December 2021 to RMB472.0 million for the year ended 31 December 2022, representing an increase from 94.9% to 98.4% to the total cost of sales for the same year, primarily due to the increase in the bandwidth cost, resulting from our clients' increased bandwidth usage in line with our business growth.

*Edge Computing Services:* Our Edge Computing Services, whose operation commenced in 2022, started to realise revenue for the year ended 31 December 2022. The relevant cost of sales for the year ended 31 December 2022 amounted to RMB4.2 million, representing 0.9% to the total cost of sales for the same year, which mainly comprised the cost of our *Lingjing Cloud*.

*ICT Services and Other Services:* Cost of sales from ICT Services and Other Services decreased by 83.1% from RMB20.7 million for the year ended 31 December 2021 to RMB3.5 million for the year ended 31 December 2022, representing a decrease from 5.1% to 0.7% to the total cost of sales for the same year. The decrease was in line with the drop in our revenue from ICT Services and Other Services in the same year because such businesses are project-based and one-off in nature.

### *Gross profit and gross profit margin*

As a result of the foregoing, our gross profit increased by 22.2% from RMB56.4 million for the year ended 31 December 2021 to RMB68.9 million for the year ended 31 December 2022. Our gross profit margin increased from 12.2% for the year ended 31 December 2021 to 12.6% for the year ended 31 December 2022.

*IDC Solution Services:* Our gross profit margin in IDC Solution Services increased slightly from 11.5% for the year ended 31 December 2021 to 12.4% for the year ended 31 December 2022, primarily due to (i) our improved bandwidth traffic scheduling capacity resulting in our improved efficiency and utilisation rate of our bandwidth resources, resulting in the economies of scale; and (ii) our strategic focus on our major clients who could generate more profitable businesses to us.

*Edge Computing Services:* Our Edge Computing Services started to realise revenue for the year ended 31 December 2022. The relevant gross profit margin was 18.4%.

*ICT Services and Other Services:* Our gross profit margin in ICT Services and Other Services increased from 23.5% for the year ended 31 December 2021 to 27.8% for the year ended 31 December 2022.

### *Other income and gains*

Our other income and gains decreased by 86.4% from RMB3.5 million for the year ended 31 December 2021 to RMB476,000 for the year ended 31 December 2022, primarily due to the one-off government subsidies available for the year ended 31 December 2021 for the purpose of easing the impact caused by COVID-19 pandemic being no longer available for the year ended 31 December 2022. The government subsidies for the year ended 31 December 2021 included (i) COVID-19 relief subsidy amounting to RMB3.2 million, (ii) 2021 Xinwu District cultural industry development project subsidy amounting to RMB200,000, (iii) 2021 Wuxi High-tech Zone Information Technology Special Award amounting to RMB50,000 and (iv) others amounting to RMB18,000.



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### *Selling and distribution expenses*

Our selling and distribution expenses increased by 41.7% from RMB3.6 million for the year ended 31 December 2021 to RMB5.1 million for the year ended 31 December 2022, primarily due to the increase in entertainment expenses and the salaries of our sales staff. The employee expenses under the selling and distribution expenses increased by 50.0% from RMB2.4 million for the year ended 31 December 2021 to RMB3.6 million for the year ended 31 December 2022, outpacing the rate of increase of our total revenue which was 18.2% of the same year. Such more-than-proportionate increase was primarily attributable to the rise in the sales commission in relation to our major clients, which was consistent with our strategic focus on our major clients who are usually major industry leaders and could generate more profitable businesses to us.

As a percentage of revenue, selling and distribution expenses increased from 0.8% for the year ended 31 December 2021 to 0.9% for the year ended 31 December 2022.

### *Administrative expenses*

Our administrative expenses increased by 34.7% from RMB22.2 million for the year ended 31 December 2021 to RMB29.9 million for the year ended 31 December 2022, primarily due to (i) the increase of salaries of our administration staff; (ii) the management consultancy fee in relation to the consultations as to the creation of corporate value, human resources management, code of conduct of staff, corporate structure, internal assessment, remuneration management and confidential information management and investment consultations, incurring RMB2.8 million; and (iii) depreciation expenses from newly purchased fixed assets. The employee benefit expenses under the administrative expenses increased by 94.3% from RMB7.0 million for the year ended 31 December 2021 to RMB13.6 million for the year ended 31 December 2022, outpacing the rate of increase of our total revenue which was 18.2% of the same year. Such more-than-proportionate increase was primarily attributable to (i) the resignation compensation to Mr. Cai in recognition of his contribution to our Group; (ii) an increase in Mr. Sun's remuneration with reference to the corresponding increase in the sales staff's salaries; and (iii) the general increase in our administrative staff.

As a percentage of revenue, administrative expenses increased from 4.8% for the year ended 31 December 2021 to 5.5% for the year ended 31 December 2022.

### *Research and development expenses*

Our research and development expenses increased by 38.8% from RMB17.0 million for the year ended 31 December 2021 to RMB23.6 million for the year ended 31 December 2022, primarily attributable to (i) the hiring of new and qualified research and development staff including Mr. Zhu Wentao, who is deputy general manager and head of our *Lingjing Cloud* department of our Group, and his team in January 2022 and (ii) the testing fee of RMB5.7 million incurred for testing the performance of edge nodes at the edge computing infrastructure in Shandong Province. Our Group tested on the complete lower-tier regions network linking various prefecture-level cities and administrative districts and counties in the Shandong Province which demonstrated the efficiency, stability and the operation of our newly established and experimental edge computing infrastructure. Our edge computing infrastructure is designated to be applicable to different regions in the PRC. Thus, as our edge computing infrastructure passed the test in the

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Shandong Province, no significant additional testing fee is expected to be incurred when they are applied beyond Shandong Province in the future. It was our Group's long-term strategy to self-develop the proprietary system employed in our Edge Computing Services.

Research and development expenses as a percentage of revenue increased from 3.7% for the year ended 31 December 2021 to 4.3% for the year ended 31 December 2022 consistent with our policy of spending approximately 3% of our revenue volume in research and development.

### *Net impairment loss recognised/(reversed) on financial assets*

Our net impairment losses reversed on financial assets amounted to RMB114,000 for the year ended 31 December 2021 whereas our net impairment losses amounted to RMB465,000 for the year ended 31 December 2022, primarily due to an increase in trade receivables, resulting in an increase of bad debt provision.

### *Other expenses*

Our other expenses increased by 112.0% from RMB183,000 for the year ended 31 December 2021 to RMB388,000 for the year ended 31 December 2022, primarily attributable to charitable donation and setting up scholarship schemes in universities in Jiangsu Province.

### *Profit for the year*

As a result of the foregoing, our profit decreased by 37.0% from RMB12.7 million for the year ended 31 December 2021 to RMB8.0 million for the year ended 31 December 2022 primarily due to the increase in research and development expenses, resulting from the hiring of new and qualified research and development staff and an increase in administration expenses resulting from incurrence of listing fees.



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### DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

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

	As at 31 December			As at
	2021	2022	2023	30 April
	RMB'000	RMB'000	RMB'000	2024 RMB'000 (unaudited)
<b>Current assets</b>				
Trade receivables	97,581	115,066	197,627	323,411
Prepayments, other receivables and other assets	10,321	19,777	37,962	47,849
Tax recoverable	440	273	—	—
Amounts due from related parties	84,231	84,251	—	—
Cash and cash equivalents	<u>47,006</u>	<u>77,986</u>	<u>162,341</u>	<u>43,373</u>
	<u>239,579</u>	<u>297,353</u>	<u>397,930</u>	<u>414,633</u>
<b>Current liabilities</b>				
Trade payables	151,931	171,303	244,135	268,717
Other payables and accruals	15,344	24,921	31,481	24,846
Contract liabilities	133	1,849	76	181
Interest-bearing bank borrowings	42,083	67,013	166,734	168,958
Lease liabilities	—	192	595	577
Tax payable	<u>5,801</u>	<u>2,322</u>	<u>3,155</u>	<u>4,845</u>
	<u>215,292</u>	<u>267,600</u>	<u>446,176</u>	<u>468,124</u>
Net current assets/(liabilities)	<u><u>24,287</u></u>	<u><u>29,753</u></u>	<u><u>(48,246)</u></u>	<u><u>(53,491)</u></u>

We recorded net current liabilities of RMB53.5 million as at 30 April 2024, representing an increase of 11.0% when compared with our net current liabilities of RMB48.2 million as at 31 December 2023. Such increase in net current liabilities was primarily attributable to (i) the decrease in cash and cash equivalents from RMB162.3 million to RMB43.4 million for our daily operation and the procurement of IDC resources; (ii) the increase in trade payables from RMB244.1 million to RMB268.7 million; (iii) the increase in interest-bearing bank borrowings from RMB166.7 million to RMB169.0 million; as partially offset by (iv) the increase in trade receivables from RMB197.6 million to RMB323.4 million due to our services performed to clients in the ordinary course of our business; and (v) the decrease in other payables and accruals from RMB31.5 million to RMB24.8 million.

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As at 31 December 2022, we recorded net current assets of RMB29.8 million whereas we had net current liabilities of RMB48.2 million as at 31 December 2023, representing an increase in net current liabilities of RMB78.0 million. The significant surge in current liabilities was primarily attributable to (i) the increase of RMB99.7 million in our interest-bearing bank borrowings; (ii) the increase of RMB72.8 million in our trade payables; (iii) the decrease of RMB84.3 million in our amounts due from related parties as a result of the full repayment of interest-free loan to Mr. Sun; and was partially offset by the increase in trade receivables of RMB82.5 million and increase in prepayments, other receivables and other assets of RMB18.2 million, when compared with the respective figures recorded as at 31 December 2022. In particular, both the increase in our interest-bearing bank borrowings as well as the trade payables were caused by our ordinary business growth. We recorded a growth in revenue of 26.8% from RMB548.8 million for the year ended 31 December 2022 to RMB695.9 million for the year ended 31 December 2023. As a result of such growth in business volume, more costs and expenses were incurred in the course of our ordinary business, and we recorded a proportional increase in cost of sales for the respective years. Therefore, due to the escalating demand in working capital for purchasing, among others, the IDC resources including bandwidth and cabinets, we had to resort to bank borrowings. Moreover, as our suppliers usually grant us a credit term which may vary from supplier to supplier, the increase in resources procurement caused a consequential increase in our trade payables.

In view of the above, we intend to improve our net current liabilities position and liquidity through (i) continuously leveraging our competitive edge to develop our businesses and grow revenue, particularly in our Edge Computing Services segment; (ii) optimising our overall cost and expense structure to reduce our cost of sale and improve our operating margin; and (iii) continuously assessing our working capital demand and sufficiency and exploring other financing options to optimise our debt structure; and (iv) utilising certain net proceeds obtained from the Global Offering in the amount of HK\$33.7 million for our working capital and general corporate purposes.

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Our net current assets increased by 22.6% from RMB24.3 million as at 31 December 2021 to RMB29.8 million as at 31 December 2022, primarily due to (i) the increase of RMB17.5 million in our trade receivables in line with our growth in credit sales and business expansion; (ii) the increase of RMB9.5 million in our prepayments, other receivables and other assets; and (iii) the increase of RMB31.0 million in our cash and cash equivalents, which was partially offset by (a) the increase of RMB19.4 million in our trade payable; (b) the increase of RMB9.6 million in our other payables and accruals; and (c) the increase of RMB24.9 million in the interest-bearing bank borrowings.

### Current Assets

#### *Trade receivables*

Trade receivables primarily represent amounts due from third-party clients for our services performed in the ordinary course of business.

The following table sets forth our trade receivables as at the dates indicated:

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Trade receivables	99,340	117,309	200,991
Less: Allowance for impairment	(1,759)	(2,243)	(3,364)
Trade receivables — net	97,581	115,066	197,627

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Our trade receivables amounted to RMB97.6 million and RMB115.1 million as at 31 December 2021 and 2022. Such increase was generally in line with our business expansion. Our trade receivables for the year ended 31 December 2023 increased significantly from RMB115.1 million for the year ended 31 December 2022 to RMB197.6 million for the year ended 31 December 2023, which was primarily attributable to our significant growth in business volume during the second half of 2023. As we usually give our clients a credit term for the settlement of their outstanding payment, our clients who had businesses with us in the fourth quarter might be able settle the payment subsequent to 31 December 2023, thereby increasing the trade receivables as at 31 December 2023. In addition, with a view to boost our business development and revenue growth, we offered more favourable terms to attract new clients, including but not limited to a longer credit term. Such attempt was proved to be successful as we recorded an explosive growth in revenue contributed by new clients of our IDC Solution Services and Edge Computing Services in the aggregated amount of RMB174.9 million for the year ended 31 December 2023, when compared with RMB12.4 million for the year ended 31 December 2022, representing an increase of over ten times. Nevertheless, a longer credit term offered to those clients engaged by us in the second half of 2023 had overall increased our trade receivables as at 31 December 2023.

We apply the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade and bills receivables. To measure the expected credit losses on trade and bills receivables, trade and bills receivables have been grouped based on shared credit risk characteristics and the aging. The allowance for impairment of trade receivables amount to RMB1.8 million, RMB2.2 million and RMB3.4 million as at 31 December 2021, 2022 and 2023, respectively. The corresponding expected credit losses, in proportion to the gross carrying amount of trade receivable were 1.8%, 1.9% and 1.7% as at 31 December 2021, 2022, and 2023, respectively.

The credit terms given to trade clients are determined on an individual basis with normal credit period mainly more than 30 days. The aging analysis of the trade receivables based on recognition date is as follows:

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Within one year	95,498	114,616	197,200
One to two years	2,083	450	427
	97,581	115,066	197,627

Our trade receivables turnover days remained largely stable at 70.5 days for the year ended 31 December 2021 and 70.7 days for the year ended 31 December 2022. However, the trade receivables turnover days increased to 82.0 days for the year ended 31 December 2023, primarily because of the more favourable terms offered by us, including but not limited to a longer credit term, to attract new clients in the second half of 2023. Trade receivables turnover days for a given

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year are equal to the average net trade receivables from contracts with clients, at the beginning and at the end of year divided by revenues during the year and multiplied by the number of days in the relevant year.

We have assessed the recoverability of the relevant outstanding trade receivables by taking into account of financial position of our clients, credit rating, credit history of our clients, years of relationship between our Group and clients, existence of forecast changes in market or environment that have a significant adverse effect on our clients' ability to meet their payment obligation to us and other factors.

We will continue to strengthen our management in trade receivables and improve the collection rate in future. Our Directors are of the view that sufficient provision has been made to trade receivables, primarily because (i) we closely monitor the outstanding trade receivables, review on a regular basis the credit records of the relevant clients and make active communications with them, (ii) there were continuous settlements from our clients of the outstanding trade receivables that had not been settled as at 31 December 2023, (iii) the maximum payment cycle of clients is about five to six months, whereas the current account age is still within six months, and the credit risk has not increased significantly, and (iv) the majority of remaining outstanding trade receivables is expected to be collected within one year based on our constant communications with the relevant clients and our previous experience of trade receivables collection with them. Based on the aforementioned, our Directors are of the view that sufficient provision has been made to trade receivables and the risk of not being able to recover the remaining trade receivables, net of provision, in particular for those aged over one year, is relatively low based on our evaluation of the historical credit standing and the credit records of these clients as most of our trade receivables are contributed by major clients. For further information about our accounting for trade receivables and description of our impairment policies, please refer to note 19 to the Accountants' Report in Appendix I to this prospectus.

Approximately RMB126.0 million, or 62.7% of our trade receivables as at 31 December 2023, were subsequently settled as at the Latest Practicable Date.

### *Prepayments, other receivables and other assets*

Prepayments, other receivables and other assets primarily represent amount prepaid third parties including long-term receivables due within one year, other receivables, prepaid taxes and other tax recoverable, deposits, prepayment and Listing fee.

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The following table sets forth our other receivables and prepayments as at the dates indicated:

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Long-term receivables due within one year	—	—	16,839
Other receivables	—	—	11,666
Value-added tax recoverable	2,461	2,619	—
Deposits	1,301	204	472
Prepayment	3,823	12,922	3,325
Listing fee	2,529	3,876	6,117
Others	229	159	116
Less: impairment	(22)	(3)	(573)
<b>Total</b>	<b>10,321</b>	<b>19,777</b>	<b>37,962</b>

Our prepayments, other receivables and other assets increased by 92.2% from RMB10.3 million as at 31 December 2021 to RMB19.8 million as at 31 December 2022, primarily due to our answer to certain suppliers' request for our early and premature payment to them per our commercial negotiations. From time to time, certain suppliers may tend to request prepayment in a relatively substantial amount out of their own working capital need, business situation or internal assessment requirement. Our Group, based on our cash management consideration, will give appropriate responses by either fully meeting their demand or further negotiating with them. Our cash management consideration includes the amount of available banking facilities, the possible amount of interest expenses incurred and progress of the collection of trade receivables. Per our experience, it was more likely than not to comply with our suppliers' repayment request as much as possible without pushing back in order to maintain a good relationship with our suppliers if (i) the availability of banking facilities supported our working capital need, (ii) the amount of interest expenses incurred was reasonable, (iii) cash collection progress from our clients was normal or (iv) the amount of discounts available. Our response was discretionary, voluntary and independent. Our prepayments, other receivables and other assets further increased by 91.9% from RMB19.8 million as at 31 December 2022 to RMB38.0 million as at 31 December 2023, which was primarily attributable to (i) the recognition of the long term receivables due within one year of RMB16.8 million, caused by the purchase and leaseback of AI computing equipment recognised as financial asset with an expiry term of one year, the details of which are set out in the paragraph headed "Business — Our services — Edge Computing Services — Arrangement to develop Edge Computing Services"; and (ii) the recognition of other receivables of RMB11.7 million, representing the advance to third parties on an one-off basis and the relevant amount had been recovered by the Company as at the Latest Practicable Date; and partially offset by the decrease in prepayment from RMB12.9 million to RMB3.3 million as at the respective dates due to the change in business situation or internal assessment requirements of our suppliers.

Approximately RMB12.3 million or 32.3% of our prepayments, other receivables and other assets as at 31 December 2023 were subsequently settled as at the Latest Practicable Date.

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### *Amounts due from related parties*

The amounts due from related parties mainly arose from our Controlling Shareholders or the companies controlled by them. The following table sets forth the amounts due from related parties as at the dates indicated:

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Due from related parties — non-trade-related:			
Controlling shareholder	84,231	84,251	—

Our amounts due from related parties mainly represented on advancement of interest-free loan to one of our Directors. They remained stable as at 31 December 2021 and 2022 and was fully repaid as at 31 December 2023.

The balance of the amounts due from related parties — controlling shareholders represented the cash advance to Mr. Sun temporarily for his personal use.

The Directors believe it is a normal practice to make advancements and repayments between a controlling shareholder and a privately owned company. It is not against the laws of the places of incorporation of the relevant subsidiaries or their articles of association to advance cash to the controlling shareholder or a director. As at 30 May 2023, Mr. Sun has fully settled the outstanding balance.

Mr. Sun further undertakes that the advances activities will be discontinued after the Listing. Our Company has established loan management policy regulating our Company's lending to Directors and members of senior management (the "**Loan Management Policy**"). According to the Loan Management Policy, any money to be lent to or any guarantee to be made in favour of our Directors, supervisors and members of senior management shall be approved in the general meeting of our Company. Such lending or guarantee shall be in written form and signed by both parties, detailing the amount of loan, interest, repayment method, lending purpose, loan tenure and default provisions.



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### Current liabilities

#### *Trade payables*

Trade payables mainly represent IDC Solution Services-related costs (bandwidth costs, cabinet expenses, IP expenses, maintenance expenses), Edge Computing Services-related costs and ICT expenses for services provided to us that remained unpaid. The following table sets forth our trade and other payables as at the dates indicated:

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Trade payables	151,931	171,303	244,135

Our trade payables increased by 12.8% from RMB151.9 million as at 31 December 2021 to RMB171.3 million as at 31 December 2022 and then increased by 42.5% to RMB244.1 million as at 31 December 2023, primarily due to an increase in bandwidth expenses resulting from our increased procurement in line with our business expansion in both IDC Solution Services and Edge Computing Services.

Our suppliers usually offer a credit period of approximately 90 to 150 days to us, which exceeds the credit terms that are generally 90 days granted by our five largest suppliers. The difference was the time taken for bill verification process. Per the contractual terms, our Group is generally required to make payment within credit terms after bill verification or receiving invoice. Bill verification usually takes 30 to 60 days. It takes place when our Group reconciles with the supplier and checks the bandwidth usage. After the bill is verified, the supplier will issue an invoice at the specific time determined by our supplier at its discretion, after which our Group is expected to settle the bill within the agreed number of days provided under the contracts (the “**Bill Verification Process**”). Thus, although credit terms of our five largest suppliers are generally within 90 days, the trade payables are actually settled within 90 to 150 days due to the Bill Verification Process.

For the same reason, our trade payable turnover days remained relatively stable at 103.9, 122.9 and 124.6 days for the three years ended 31 December 2023, exceeding the general credit terms of 90 days. During the Track Record Period, the general stability of our turnover days was mainly due to established credit purchase policy with our existing suppliers and in line with the credit period our suppliers provided to us. Trade payable turnover days for a given year are equal to average trade payable balances at the beginning and at the end of the year, divided by the sum of cost of sales during the year, and then multiplied by the number of days in the relevant year.

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The following table sets forth the aging analysis of our trade payables based on recognition date:

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
<b>Aging</b>			
Within 3 months	95,060	99,933	217,135
3 to 6 months	55,447	59,864	23,068
6 to 12 months	1,408	11,258	2,504
Over 1 year	16	248	1,428
	151,931	171,303	244,135

Approximately RMB190.1 million or 77.9% of our trade payables as at 31 December 2023 were subsequently settled as at the Latest Practicable Date while none of our trade payables as at 31 December 2023 were overdue as at the Latest Practicable Date according to the corresponding procurement contract or daily business practices.

### *Other payables and accruals*

Other payables and accruals primarily represent (i) other tax payable; (ii) payroll and welfare payable; and (iii) other payables.

The following table sets forth our other payables and accruals as at the dates indicated:

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Other tax payable	5,130	10,724	10,774
Payroll and welfare payable	3,177	7,772	8,154
Other payables	7,037	6,425	12,553
Total	15,344	24,921	31,481

Our other payables and accruals increased by 62.7% from RMB15.3 million as at 31 December 2021 increased to RMB24.9 million as at 31 December 2022 and then remained relatively stable at RMB31.5 million as at 31 December 2023, primarily due to (i) an increase of other tax payable including value-added tax, urban construction and maintenance tax and stamp

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duty in line with our business expansion; (ii) an increase in the general salary level, number of employees and social contribution amount; and (iii) an increase in other payable due to building and renovation cost of new office premises in Wuxi in 2021.

Approximately RMB27.2 million or 86.4% of our other payables and accruals as at 31 December 2023 were subsequently settled as at the Latest Practicable Date.

### *Contract liabilities*

Contract liabilities are recognised when a payment is received or a payment is due, whichever is earlier, from a client before our Group transfers the related goods or services. Our contract liabilities increased by 1,253.4% from RMB133,000 as at 31 December 2021 to RMB1.8 million as at 31 December 2022 but decreased by 95.8% from RMB1.8 million as at 31 December 2022 to RMB76,000 as at 31 December 2023. RMB61,000 or 80.9% of our contract liabilities as at 31 December 2023 were subsequently recognised as at the Latest Practicable Date.

### *Interest-bearing bank borrowings*

As at 31 December 2021, 2022 and 2023, our interest-bearing bank borrowings amounted to RMB42.1 million, RMB67.0 million and RMB166.7 million, respectively. The increase in the interest-bearing bank borrowings from RMB42.1 million as at 31 December 2021 to RMB166.7 million as at 31 December 2023 was consistent with our increased demand in working capital caused by business expansion, where our Group required bank borrowing for liquidity purposes.

During the Track Record Period, certain bank borrowings were guaranteed by certain shareholders of our Company and their close associates (including the Controlling Shareholder and his ex-spouse), senior management (including the staff in the capacity of then chief representative) or our Group's subsidiaries, or pledges of trade receivables or patent rights. The guarantee provided by certain Shareholders and their close associates had been discharged on 26 May 2023. For details, please refer to note 25 to the Accountants' Report in Appendix I to this prospectus. As at the Latest Practicable Date, all the guarantee of the Group's secured bank borrowings were provided by our subsidiaries.

The following table sets forth the effective interest rates of our borrowing as at the dates indicated:

	As at 31 December		
	2021	2022	2023
Bank borrowings — secured	3.90%–4.85%	3.80%–4.50%	3.45%
Bank borrowings — unsecured	—	—	3.00%–4.00%

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As at the dates indicated, interest-bearing bank borrowings were repayable as follows:

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Bank borrowings repayable within one year	42,083	67,013	166,734
	42,083	67,013	166,734

The amount of unutilised bank facilities as at 31 December 2021, 2022 and 2023 were nil, RMB65.0 million and RMB72.0 million, respectively.

### *Lease liabilities*

Our Group has lease contracts for office premises used in our operation. Leases of office premises generally have lease terms between 24 and 37 months. Lease liabilities represent the present value of outstanding lease payments under our lease agreements. Our lease liabilities increased from nil as at 31 December 2021 to RMB192,000 as at 31 December 2022 and RMB1.3 million as at 31 December 2023 due to the establishment of our office in Hangzhou and Shandong.

For discussion of factors affecting our results of operations during the respective years, please refer to the paragraphs headed “— Year-to-year Comparison of Results of Operations — The year ended 31 December 2023 compared to the year ended 31 December 2022” and “— Year-to-year Comparison of Results of Operations — The year ended 31 December 2022 compared to the year ended 31 December 2021” of this section.

### **Non-Current Assets/Liabilities**

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

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	12,508	14,234	21,453
Right-of-use assets	184	215	1,408
Other intangible assets	32	308	166
Deferred tax assets	632	1,167	1,938
Other non-current assets	—	—	78,846
Total non-current assets	13,356	15,924	103,811

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### *Property, plant and equipment*

Property, plant and equipment are stated at the historical cost less accumulated depreciation and any impairment loss. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs for bringing the asset to its working condition and location for its intended use.

Our property, plant and equipment primarily consist of computers and electronic equipment, office furniture and equipment, and leasehold improvements. Our property, plant and equipment increased by 13.6% from RMB12.5 million as at 31 December 2021 to RMB14.2 million as at 31 December 2022, primarily due to purchases of office equipment and company vehicle and then increased by 51.4% from RMB14.2 million as at 31 December 2022 to RMB21.5 million as at 31 December 2023, primarily due to the additional procurement of relevant equipment for our Edge Computing Services.

### *Right-of-use assets*

Our right-of-use assets relate primarily to leases of office space at our Wuxi headquarters and other branches. Our right-of-use assets slightly increased by 16.8% from RMB184,000 as at 31 December 2021 to RMB215,000 as at 31 December 2022, primarily due to entering into new lease of our Hangzhou office and increased by 554.9% from RMB215,000 as at 31 December 2022 to RMB1.4 million as at 31 December 2023, primarily due to new leases of our offices in Hangzhou and Shandong Province.

### *Other intangible assets*

Our intangible assets primarily comprise software we purchased for use in our ordinary course of business. Our intangible assets increased by 862.5% from RMB32,000 as at 31 December 2021 to RMB308,000 as at 31 December 2022 primarily due to further purchase of software and system for operational purposes but then decreased by 46.1% from RMB308,000 as at 31 December 2022 to RMB166,000 as at 31 December 2023, primarily attributable to the amortisation of the software and system purchased previously.

### *Other non-current assets*

Our other non-current assets amounted to RMB78.8 million as at 31 December 2023 which primarily comprise receivables of long-term receivables from a third party. Pursuant to a series of arrangements among our Group, the Qinghai branch of Supplier A and an Independent Third Party entered into during the year ended 31 December 2023, our Group purchased from a third party AI computing equipment and leased it back to such third party. Given the nature of the purchase and leasing arrangements, the Company does not consider the purchase of AI computing equipment as sale of assets by the third party and will not recognise the AI computing equipment as transferred asset acquired from the third party when such equipment arrives. Instead, the Company recognised the amount receivables for acquiring the AI computing equipment as financial asset in the form of long-term receivables from the third party under the category of other non-current assets in our

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consolidated statements of financial position. For details of the finance lease arrangements, please refer to the paragraph headed “Business — Our Services — Edge Computing Services — Arrangement to develop Edge Computing Services” in this prospectus.

### KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios/metrics for the years or as at the dates indicated:

	<b>For the year ended/As at 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Profitability ratios</b>			
Turnover growth (%) <sup>(1)</sup>	68.2	18.2	26.8
Net profit growth (%) <sup>(2)</sup>	(50.0)	(36.7)	77.0
Gross profit margin (%)	12.2	12.6	12.6
Net profit margin (%) <sup>(3)</sup>	2.7	1.5	2.0
Return on equity (%) <sup>(4)</sup>	33.7	17.6	25.9
Return on total assets (%) <sup>(5)</sup>	5.0	2.6	2.8
<b>Liquidity ratios</b>			
Current ratio <sup>(6)</sup>	1.1	1.1	0.9
Quick ratio <sup>(7)</sup>	1.1	1.1	0.9
Trade receivables turnover days	70.5	70.7	82.0
Trade payables turnover days	103.9	122.9	124.6
<b>Capital adequacy ratios</b>			
Gearing ratio <sup>(8)</sup>	1.1	1.5	3.1
Net debt to equity ratio <sup>(9)</sup>	(0.1)	(0.2)	0.1
Interest coverage <sup>(10)</sup>	7.4	4.2	4.7

*Notes:*

1. Turnover growth represents the percentage change of our revenue in a year when compared with that in the previous corresponding year during the Track Record Period.
2. Net profit growth represents the percentage change of our profit attributable to owners of our Company for a year when compared with that in the previous corresponding year during the Track Record Period.
3. Net profit margin is calculated based on our profit for the respective year attributable to owners of our Company divided by total revenue for the same year and multiplied by 100%.
4. Return on equity is calculated based on our profit for the respective year attributable to owners of our Company divided by the average balance of total equity attributable to owners of our Company of the beginning and end of the respective year and multiplied by 100%.
5. Return on total assets is calculated based on our profit for the respective year divided by our total assets at the respective year and multiplied by 100%.

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6. Current ratio is calculated based on the total current assets as at the respective dates divided by the total current liabilities as at the respective dates.
7. Quick ratio represents current assets less inventories divided by current liabilities of the same date.
8. Gearing ratio is calculated based on the total debt (representing interest-bearing bank borrowings and lease liabilities) as at the respective dates divided by total equity as at the respective dates.
9. Net debt to equity ratio is calculated based on the net debt divided by total equity as at the end of each respective year. Net debt includes all interest-bearing bank borrowings net of cash and cash equivalents.
10. Interest coverage is calculated on the profit before interest and tax for the respective year divided by the interest on interest-bearing borrowings and lease liabilities for the respective year.

### **Turnover growth**

We recorded a revenue of RMB464.3 million, RMB548.8 million and RMB695.9 million for the three years ended 31 December 2023, respectively, representing a growth rate of 18.2% from 31 December 2021 to 31 December 2022 and 26.8% from the year ended 31 December 2022 to the year ended 31 December 2023. For details, please refer to the paragraph headed “— Year-to-year Comparisons of Results of Operations” of this section.

### **Net profit growth**

We recorded a net profit attributable to the owners of our Company of RMB12.7 million, RMB8.0 million and RMB13.9 million for the three years ended 31 December 2023, respectively, representing a negative growth rate of 36.7% from 31 December 2021 to 31 December 2022 and a positive growth rate of 73.8% from the year ended 31 December 2022 to the year ended 31 December 2023. For details, please refer to the paragraph headed “— Year-to-year Comparisons of Results of Operations” of this section.

### **Gross profit margin**

Our gross profit margin increased from 12.2% for the year ended 31 December 2021 to 12.6% for the year ended 31 December 2022 and remained stable at 12.6% for the year ended 31 December 2023. The slight fluctuation in gross profit margin during the Track Record Period was mainly the change in the gross profit margin in our IDC Solution Services during the years. For details, please refer to the paragraph headed “— Description of Major Components of our Results of Operations — Gross profit and gross profit margin” of this section.

### **Net profit margin**

Our net profit margin decreased from 2.7% for the year ended 31 December 2021 to 1.5% for the year ended 31 December 2022, primarily due to increased research and development expenses and employee benefit expenses of administrative staff. For the year ended 31 December 2023, our net profit margin increased to 2.0%, which was primarily attributable to the increase in Listing



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expenses, impairment losses on financial assets and selling and distribution expenses. For details, please refer to the paragraph headed “— Year-to-year Comparisons of Results of Operations” of this section.

### **Return on equity**

Our return on equity decreased from 33.7% for the year ended 31 December 2021 to 17.6% for the year ended 31 December 2022, primarily due to (i) the decrease in net profit of approximately RMB4.7 million mainly due to the incurrence of listing expenses for the year, and (ii) the increase in total equity as a result of further accumulation of profit. Our return on equity increased from 17.6% for the year ended 31 December 2022 to 25.9% for the year ended 31 December 2023 primarily due to the substantial increase in net profit attributable to owners of the Company from RMB8.0 million to RMB13.9 million, representing an increase of approximately 73.8%.

### **Return on total assets**

Our return on total assets decreased from 5.0% for the year ended 31 December 2021 to 2.6% for the year ended 31 December 2022, primarily due to (i) the incurrence of listing expenses for the year; (ii) the increase of trade receivable of approximately RMB17.5 million; (iii) the increase in property, plant and equipment of approximately RMB1.7 million; and (iv) the increase in cash and cash equivalents of approximately RMB31.0 million. Our return on total assets slightly increased to 2.8% for the year ended 31 December 2023, primarily due to (i) the increase in net profit of approximately RMB6.2 million, representing an increase of 77.5%, but the effect of which was partially offset by an increase in total assets, including (i) the increase in cash and cash equivalents of RMB84.3 million; (ii) the increase in trade receivable of RMB82.5 million; and (iii) the recognition of other non-current assets of RMB78.8 million as at 31 December 2023.

### **Interest coverage**

Our interest coverage decreased from approximately 7.4 times as at 31 December 2021 to approximately 4.2 times as at 31 December 2022, mainly due to the decrease in the profit before interest and tax. Our interest coverage increased to 4.7 times as at 31 December 2023 mainly because of the increase in the profit before interest and tax.

### **Current ratio**

Our current ratio remained stable at 1.1 times and 1.1 times as at 31 December 2021 and 2022. Our current ratio decreased to 0.9 times as at 31 December 2023, which was primarily attributable to the significant increase in our current liabilities from RMB267.6 million as at 31 December 2022 to RMB446.2 million as at 31 December 2023, representing an increase of 66.7%.

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### **Gearing Ratio**

Our gearing ratio increased from 1.1 times for the year ended 31 December 2021 to 1.5 times for the year ended 31 December 2022, primarily due to an increase of approximately RMB24.9 million in interest-bearing bank borrowings. Our gearing ratio increased from 1.5 times as at 31 December 2022 to 3.1 times as at 31 December 2023, primarily due to the increase in the interest-bearing bank borrowings from RMB67.0 million as at 31 December 2022 to RMB166.7 million as at 31 December 2023.

### **Net debt to equity ratio**

Our net debt to equity ratio was 0.1 times as at 31 December 2023, mainly due to the increase in the interest-bearing bank borrowings from RMB67.0 million as at 31 December 2022 to RMB166.7 million as at 31 December 2023.

### **LIQUIDITY AND CAPITAL RESOURCES**

We had historically funded our working capital from capital contributions from the Shareholders, cash generated from our business operations and borrowings. We had cash and cash equivalents of RMB47.0 million, RMB78.0 million and RMB162.3 million as at 31 December 2021, 2022 and 2023, respectively.

Moving forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, other funds raised from the capital markets from time to time and the net proceeds received from the Global Offering. We currently do not have any plans for material additional external financing.

Taking into account of the financial resources available to us, including our cash and cash equivalents, our available banking facilities, and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present needs and for the next 12 months from the date of this prospectus.

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The following table sets forth our cash flows for the years indicated:

	For the year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
<b>Net cash flows from operating activities</b>	68,279	16,554	33,915
<b>Net cash flows from/(used in) investing activities</b>	(5,350)	(7,389)	(121,322)
<b>Net cash flows (used in)/from financing activities</b>	(16,820)	21,815	171,762
Cash and cash equivalents at the beginning of the year	897	47,006	77,986
<b>Cash and cash equivalent at the end of the year</b>	<b>47,006</b>	<b>77,986</b>	<b>162,341</b>

### Net Cash Flows from Operating Activities

Net cash generated from operating activities represents cash generated from operations plus interest received and minus income tax paid. Cash generated from operations primarily reflects (i) our profit and/or loss before tax adjusted for non-cash and non-operating items, such as depreciation and amortisation, and (ii) the effects of changes in our working capital.

We recorded net cash generated from operating activities of RMB68.3 million, RMB16.6 million and RMB33.9 million for the years ended 31 December 2021, 2022 and 2023 respectively. In the meantime, we also enhance our cash flow position through continuous efforts to collect payments and receivables.

For the year ended 31 December 2023, net cash generated from operating activities amounted to RMB33.9 million, which was attributable to the profit before tax of RMB14.7 million, as adjusted by (i) non-cash items, which primarily comprised of depreciation of items of property, plant and equipment of RMB2.9 million, and right-of-use assets of RMB557,000, amortisation of intangible assets of RMB203,000, net impairment losses on financial assets of RMB4.2 million and finance cost of RMB4.0 million; and (ii) change in the working capital, which primarily comprised (a) an increase in trade receivables of RMB83.7 million, resulting from the increase in business volume, especially in the fourth quarter of the year, (b) a decrease in prepayments, other receivables and other assets of RMB10.7 million, resulting from the return of prepayments for procurement of resources after annual settlement, (c) an increase in other payables and accruals of RMB9.5 million, and partially offset by (d) an increase in trade payables of RMB72.8 million due to the increased procurement of resources in view of our business expansion, including bandwidth and cabinet resources.

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For the year ended 31 December 2022, net cash generated from operating activities was RMB16.6 million, which was primarily attributable to our profit before tax of RMB7.7 million, as adjusted by (i) non-cash items, which primarily comprised of depreciation of items of property, plant and equipment of RMB1.7 million, and right-of-used assets of RMB177,000, amortisation of intangible assets of RMB78,000, net impairment losses on financial assets of RMB465,000 and finance cost of RMB2.4 million; and (ii) change in the working capital, which primarily comprised of (a) an increase in trade payables of RMB19.4 million, and an increase of other payables and accruals of RMB12.6 million, mainly attributable to our growth in credit sales in line with our business expansion, as partially offset by an increase in trade receivables of RMB18.0 million and an increase in prepayments, other receivables and other assets of RMB7.9 million.

For the year ended 31 December 2021, net cash generated from operating activities was RMB68.3 million, which was primarily attributable to our profit before tax of RMB14.7 million, as adjusted by (i) non-cash items, which primarily comprised of depreciation of items of property, plant and equipment of RMB965,000 and right-of-use assets of RMB403,000, amortisation of intangible assets of RMB13,000, net impairment losses reversed on financial assets of RMB114,000 and finance costs of RMB2.3 million; and (ii) change in working capital, which primarily comprised of an increase in trade payables of RMB71.6 million and increase in other payables and accruals of RMB2.2 million, primarily attributable to our growth in credit sales in line with our business expansion, as partially offset by an increase in trade receivables of RMB15.8 million, an increase in prepayments, other receivables and other assets in RMB4.8 million and an increase in contract liabilities in RMB2.1 million.

### **Net Cash Flows from/(used in) Investing Activities**

Our cash used in investing activities consists primarily of purchases of items of property, plant and equipment, purchase of intangible assets, advance to and repayment from third parties, advance to and repayment of advance to related companies and disposal of property, plant and equipment.

For the year ended 31 December 2023, our cash used in investing activities was RMB121.3 million, which was primarily attributable to (i) purchases of items of property, plant and equipment of RMB12.7 million, particularly the additions of equipment for the operation of our Edge Computing Services and the motor vehicles for the Company's use and additions to other intangible assets of RMB181,000; (ii) advances to third parties of RMB10.4 million on an one-off basis, the amount of which had already been recovered by the Company; (iii) addition of long term receivables of RMB192.7 million under a series of arrangements which were partially offset by the repayment of long term receivables of RMB94.6 million under a series of arrangements where we provided funds to purchase AI computing equipment from the third party and in turn lease it back to the third party; and (iv) the disposal of plant and equipment of RMB114,000. For details of the arrangements, please refer to the paragraph headed "Business — Our Services — Edge Computing Services — Arrangement to develop Edge Computing Services" in this prospectus.

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For the year ended 31 December 2022, net cash used in investing activities was RMB7.4 million, which was primarily attributable to purchases of items of property, plant and equipment of RMB8.3 million, as partially offset by the disposal of property, plant and equipment of RMB1.1 million.

For the year ended 31 December 2021, net cash used in investing activities was RMB5.4 million, which was primarily attributable to purchases of items of property, plant and equipment of RMB5.7 million, as partially offset by the repayment of advances to third parties of RMB290,000 from Mr. Sun and the purchase of items of property, plant and equipment of RMB5.7 million.

### **Net Cash Flows (used in)/from Financing Activities**

Our cash from financing activities consists primarily of capital contributions from shareholders, proceeds from borrowings and advances from related parties. Our cash generated from financing activities consists primarily of new bank loans, repayment of bank loans, interest paid, dividends paid to the then shareholders, payment for listing expense, advance from third parties, advance from related companies and repayment of advances from related companies.

For the year ended 31 December 2023, our net cash generated from financing activities was RMB171.8 million, which was primarily attributable to proceeds of new bank loans of RMB263.0 million as our general working capital in the ordinary course of our business and repayment from controlling shareholder of RMB84.3 million, as partially offset by repayment of bank loans of RMB163.0 million, dividends paid to the then shareholders of RMB30.0 million, interest paid of RMB4.2 million and payment of listing expenses of RMB2.5 million.

For the year ended 31 December 2022, our net cash generated from financing activities was RMB21.8 million, which was primarily attributable to proceeds of new bank loans of RMB99.0 million and advance from other related parties of RMB1.5 million, as partially offset by repayment of bank loans of RMB74.0 million, interest paid of RMB2.4 million, payment of lease liabilities of RMB190,000, payment of listing expense of RMB556,000 and repayment of advances from related other parties of RMB1.5 million.

For the year ended 31 December 2021, our net cash used in financing activities was RMB16.8 million, which was primarily attributable to repayment of bank loans of RMB67.5 million, advances to controlling shareholder of RMB22.0 million, payment of listing expense of RMB2.4 million, interest paid of RMB2.2 million, dividends paid to the then shareholders of RMB2.0 million and repayment of advances from third parties of RMB2.0 million, as partially offset by the proceeds of new bank loans of RMB62.0 million and advances from controlling shareholder of RMB22.2 million.

## FINANCIAL INFORMATION

### INDEBTEDNESS

The following table sets forth the components of our indebtedness as at the dates indicated. Save as disclosed below and apart from intra-group liabilities, we did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants or other material contingent liabilities as at the dates indicated. Our Group has an unutilised bank loan facility of RMB12.0 million as at the Latest Practicable Date.

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Interest-bearing bank borrowings	42,083	67,013	166,734	168,958
Lease liabilities	—	192	1,259	1,181
<b>Total</b>	<b>42,083</b>	<b>67,205</b>	<b>167,993</b>	<b>170,139</b>

Our Directors confirmed that we had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period. As at the Latest Practicable Date, there were no material covenants related to our outstanding debt that would materially limit our ability to undertake additional debt or equity financing. Our Directors confirmed that there has not been any material change in our indebtedness or contingent liabilities since 30 April 2024 and up to the Latest Practicable Date. Our Directors confirmed that as at the Latest Practicable Date, we did not have any immediate plan for additional material external debt financing.

#### Interest-bearing bank borrowings

The interest-bearing bank borrowings amounted to RMB42.1 million, RMB67.0 million, RMB166.7 million and RMB169.0 million as at 31 December 2021, 2022 and 2023 and 30 April 2024, respectively. The increase in interest-bearing bank borrowings after the Track Record Period was mainly due to our Group's need for the replenishment of working capital. For details of our borrowings, please refer to the paragraph headed “— Discussion of Certain Key Balance Sheet Items — Current liabilities — Interest-bearing bank borrowings” of this section.

## FINANCIAL INFORMATION

### Lease liabilities

The lease liabilities amounted to nil, RMB192,000, RMB1.3 million and RMB1.2 million as at 31 December 2021, 2022 and 2023 and 30 April 2024, respectively. The increase in lease liabilities after 31 December 2022 was mainly due to the new tenancy in our Hangzhou and Qingdao office. For details of our lease liabilities, please refer to the paragraph headed “— Discussion of Certain Key Balance Sheet Items — Current liabilities — Lease liabilities” of this section.

### CONTINGENT LIABILITIES

As at 31 December 2021, 2022 and 2023 and 30 April 2024, we did not have any material contingent liabilities.

### CAPITAL EXPENDITURES

The following table sets forth our capital expenditure, primarily related to the cash paid for the purchase of items of property, plant and equipment and intangible assets, for the years indicated:

	For the year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Purchase of items of property, plant and equipment	5,677	8,269	12,706
Purchase of intangible assets	31	234	181
Total	<u>5,708</u>	<u>8,503</u>	<u>12,887</u>

Our Group incurred capital expenditures of approximately RMB5.7 million, RMB8.5 million and RMB12.9 million for the three years ended 31 December 2023, respectively. The capital expenditure on the purchase of items of property, plant and equipment for the three years ended 31 December 2023 amounted to RMB5.7 million, RMB8.3 million and RMB12.7 million, respectively. The capital expenditure on the purchase of intangible assets for the three years ended 31 December 2023 amounted to RMB31,000, RMB234,000 and RMB181,000, respectively. Our capital expenditure was funded by our internal resources.

### CONTRACTUAL OBLIGATIONS

We did not have any material capital commitments or operating lease commitments during the Track Record Period and up to the Latest Practicable Date.



## **FINANCIAL INFORMATION**

### **RELATED PARTY TRANSACTIONS**

During the Track Record Period, we entered into a number of related party transactions in relation to (i) key management compensation; (ii) other payable due to related parties which are non-trade in nature, unsecured, interest-free and repayable on demand; (iii) financial guarantees provided by shareholders of our Company in respect of our bank borrowings; and (iv) advances to shareholders of our Company. Save as the above related party transactions disclosed in Note 31 Related party transactions as set out in the Accountants' Report in Appendix I to this prospectus, we have not entered into any other transactions with our related parties.

For details about our related party transactions, please refer to note 31 to the Accountants' Report in Appendix I to this prospectus.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on arm's length basis, and they did not distort our results of operations or make our historical results non-exhaustive of our future performance.

### **OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS**

As at the Latest Practicable Date, we had not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. Further we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

### **FINANCIAL RISKS MANAGEMENT**

The major financial risks arising from our Group's normal course of business include market risk, credit risk and liquidity risk. For details, please refer to note 34 to the Accountants' Report in Appendix I to this prospectus.

### **DIVIDENDS**

As we are a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account of factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Our Shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board.

## **FINANCIAL INFORMATION**

We declared dividends of RMB2.0 million, nil and RMB30.0 million to our then shareholders for the years ended 31 December 2021, 2022 and 2023, respectively. As at the Latest Practicable Date, we settled all payments. We do not currently have a pre-determined dividend payout ratio. Currently, we do not have a fixed dividend distribution ratio.

### **WORKING CAPITAL CONFIRMATION**

We had positive net cash flows from operation of RMB68.3 million, RMB16.6 million and RMB33.9 million, respectively, for the three years ended 31 December 2023. We had cash and cash equivalents of RMB162.3 million as at 31 December 2023. Our Directors confirm that we had no material default in payment of trade and non-trade payables and borrowings during the Track Record Period and up to the date of this prospectus.

Taking into account of the financial resources available to us, including our cash and cash equivalents, our available banking facilities, and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present needs and for the next 12 months from the date of this prospectus.

### **DISTRIBUTABLE RESERVES**

As at 31 December 2023, our Company's distributable reserves amounted to RMB11.6 million.

### **LISTING EXPENSES**

Based on the Offer Price of HK\$4.6 per Offer Share and assuming the Over-allotment Option is not exercised, the total estimated listing expenses in relation to the Global Offering is HK\$58.7 million. Among the total listing expenses, approximately HK\$54.5 million is expected to be borne by us and approximately HK\$4.2 million is expected to be borne by the Selling Shareholder. Listing expenses expected to be borne by us include the estimated underwriting-related expenses of HK\$11.7 million and non-underwriting-related expenses of HK\$42.8 million, consisting of (i) estimated fees and expenses of legal adviser(s) and Reporting Accountants of HK\$26.4 million and (ii) estimated other fees and expenses of HK\$16.4 million. During the Track Record Period, listing expenses of RMB29.3 million were incurred by us, of which RMB23.2 million were charged to our consolidated statements of comprehensive income and RMB6.1 million were recognised to our consolidated statements of financial position. We estimate that we will further incur listing expenses of RMB20.3 million of which RMB8.0 million will be charged to our consolidated statements of comprehensive income and RMB12.3 million, which mainly includes underwriting commission, is expected to be accounted for as a deduction from equity upon the completion of Capitalisation Issue and the Global Offering.

### **UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS**

For details on unaudited pro forma statement of adjusted net tangible assets, please refer to the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus.

## **FINANCIAL INFORMATION**

### **NO MATERIAL ADVERSE CHANGE**

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2023, which is the end date of the years reported on the Accountants' Report in Appendix I to this prospectus, and there is no event since 31 December 2023 that would materially affect the information as set out in the Accountants' Report in Appendix I to this prospectus.

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

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

## FUTURE PLANS AND USE OF PROCEEDS

### FUTURE PLANS

Our mission is to become a globally recognised IDC solution service and edge computing service provider, making the world a better place. We intend to enhance our existing service quality by improving Internet speed and expanding our service offerings to our clients. We intend to achieve these through our growth strategies. For details, please refer to the paragraph headed “Business — Our Strategies” in this prospectus.

### USE OF PROCEEDS

Based on the Offer Price of HK\$4.6 per Offer Share, we estimate that we will receive net proceeds of HK\$336.5 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering, assuming the Over-allotment Option is not exercised. In line with our strategies, we intend to use our proceeds from the Global Offering over the next three years for the purposes and in the amounts set forth below:

#### Existing business improvement and operation development

We intend to continue to solidify, bolster the relationships and deepen our partnerships with our existing clients. We will continue to satisfy our lead cloud computing company and Internet company clients’ growing needs and expand our service offerings.

- Approximately 47.7%, or HK\$160.4 million of the net proceeds will be used to invest in various technologies to improve our service quality and enhance operational efficiency. In particular,
  - (i) we plan to use 3.5%, or HK\$11.8 million of the net proceeds to purchase various hardware and equipment, including but not limited to routers, ethernet switches, to maintain network traffic stability in various locations where our IDC Solution Services and Edge Computing Services are operated. In addition, we intend to use the above tools to build up multiple redundant routers, switches and an automatic fallover and recovery system to further enhance our service quality and operational efficiency;
  - (ii) we plan to use 42.7%, or HK\$143.5 million of the net proceeds to purchase and install bare-metal servers (the “**BMS**”), in various locations where our IDC Solution Services operate. BMS are physical computer servers used by one consumer or tenant only, and they provide stronger isolation, efficiency, security and flexibility compared to traditional cloud servers. We used them to (i) overcome the challenges of overloaded tenants during peak loads, reduce defects, enhance security and privacy, and allow our clients to use our services as needed; (ii) provide efficiency level by subjecting the servers less to defects frequently appearing in shared hardware operation; (iii) achieve higher security and privacy by separating physically the BMS from other cloud servers, making influence from

## FUTURE PLANS AND USE OF PROCEEDS

unwelcome attackers and covert channels impractical; and (iv) attain higher flexibility by allowing our clients and their customers to use our services in the amount at the time needed by them.

In addition to enhancing the aforementioned operational efficiency and effectiveness of our IDC Solution Services, BMS can be used interchangeably as the edge node server for our Edge Computing Services under the brand of *Lingjing Cloud*. It can improve our self-built EdgeCDN system, which will optimise our clients' content delivery, enhance reliability of network traffic, ensure data security and reduce bandwidth expenses.

The BMS will be installed as specially-configured edge servers and storage servers for intermediate storage systems at various planned CDN locations across the nation, bypassing the need to have access to central servers of our data centre resource providers.

The BMS will be installed in the following provincial capitals or more economically developed cities of the following:

- a. eastern part of China, including Shandong Province: 10.9% or HK\$36.6 million; and
- b. northern and north-eastern parts of China, including Hebei Province, Shanxi Province, Heilongjiang Province and Liaoning Province and the Inner Mongolia: 10.9% or HK\$36.6 million;
- c. southern and central parts of China, including Henan Province, Guangdong Province, Guangxi Province, Hubei Province and Hunan Province: 8.4% or HK\$28.1 million; and
- d. south-western and north-western parts of China, including Qinghai Province, Gansu Province, Shaanxi Province, Ningxia Province, Yunnan Province, Guizhou Province, Sichuan Province and the direct-administered municipality of Chongqing: 12.5% or HK\$42.2 million; and

Our Group considers the proceeds allocation of the BMS and the sub-allocation to different provinces on the following basis:

- the locations where our existing clients of our IDC Solution Services demand our IDC Solution Services, such as the Shandong Province;
- potential locations where our existing clients used to express their plan and willingness to have presence;
- the attraction of the potential locations or nodes in terms of operation cost; and

## FUTURE PLANS AND USE OF PROCEEDS

- the potential that the locations would become a site which could accommodate our IDC Solution Services and Edge Computing Services interchangeably.
- (iii) we plan to use 1.5%, or HK\$5.1 million of the net proceeds to upgrade our office in Wuxi and Hangzhou. This includes purchasing additional office equipment and software to support our overall expansion in operation.

### **Comprehensive implementation and upgrade of our *Lingjing Cloud***

- Approximately 18.5%, or HK\$62.3 million of the net proceeds will be used to enhance our *Lingjing Cloud* capabilities by developing our edge computing infrastructure. This will increase the streaming and downloading speed of websites, short videos and photographic content. Our plan is to expand our Edge Computing Services, including our EdgeCDN Services and EdgeAIoT Services, into new and rural territories by establishing edge computing infrastructure in prefecture-level cities or administrative districts and counties of the PRC (the “**Lower-tier Region Network Strategy Infrastructure**”), which will be installed in:
  - a. eastern part of China, including Shanghai, Jiangsu Province, Zhejiang Province, Anhui Province, Shandong Province and Fujian Province: 5.0% or HK\$16.9 million;
  - b. southern part of China, including Guangdong Province, Guangxi Province and Hainan Province: 2.6% or HK\$8.7 million;
  - c. northern part of China, including Beijing, Tianjin, Hebei Province, Shanxi Province and Inner Mongolia: 2.5% or HK\$8.5 million;
  - d. central part of China, including Henan Province, Hubei Province, Hunan Province and Jiangxi Province: 2.8% or HK\$9.5 million;
  - e. north-eastern part of China, including Liaoning Province, Jilin Province and Heilongjiang Province: 1.8% or HK\$6.0 million;
  - f. south-western part of China, including Sichuan Province, Guizhou Province, Yunnan Province, Chongqing and the Tibet Autonomous Region: 2.4% or HK\$8.2 million; and
  - g. north-western part of China, including Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Province and Xinjiang Uygur Autonomous Region: 1.4% or HK\$4.5 million.

## FUTURE PLANS AND USE OF PROCEEDS

This will allow our clients and their customers to develop, run and manage application functionalities without the complexity of building and maintaining the associated infrastructure. In particular, we will purchase and install specially-configured edge servers and storage servers and network for the setup of the infrastructure of *Lingjing Cloud*; and acquire more effective, secure, specialised and stable servers and hardware for system design, networking, database and security and expanding our *Lingjing Cloud* locations. While the hardware devices for the edge computing infrastructure can be used to complement the BMS, our Directors envision hardware and BMS under the edge computing infrastructure will be utilised independently in order to provide more comprehensive product lines and better quality of services.

Based on our feasibility study of the Lower-tier Region Network Strategy, our Directors believe there is sufficient market demand and growth potential in support of our investment in lower-tier regions. The table below sets out the market size of edge computing in the PRC and in lower-tier cities in the PRC respectively at the end of 2022, as compared to the expected market demand after the completion of our expansion plan.

	<b>2022</b>	<b>2027E</b>	<b>CAGR</b>
	<i>RMB billion</i>	<i>RMB billion</i>	<i>%</i>
The market size of edge computing in the PRC	54.2	250.9	35.9
The market size of edge computing in lower-tier cities in the PRC	31.4	165.6	39.5

The majority of the growth in China's mobile Internet comes from traffic in the lower-tier markets, with significant contributions from the car services, news information, and financial management industries in the lower-tier markets, reaching contribution rates of 129.4%, 82.0%, and 77.0%, respectively in 2022. Our Directors believe the growth of Edge Computing Services in the lower-tier markets, with its application in security and medical monitoring, autonomous driving, video conference and IoT which requires computation performing on-site or near data sources in lower-tier cities, will continue to be a growth engine of the Internet industry in the PRC.



## FUTURE PLANS AND USE OF PROCEEDS

During the Track Record Period, we started to utilise our newly established edge computing infrastructure to provide our Edge Computing Services. Since the competitive landscape of the edge computing service market is highly fragmented, with none of the players having a market share exceeding 10%, the projection of our market share, despite rising, may still be small. However, it is expected that the period between 2023 to 2027 will be a fast-growing period of Internet penetration rate in the PRC, especially in the lower-tier cities in the PRC. The following table sets out the growth potential of our Edge Computing Services operation under the Lower-tier Region Network Strategy:

	<b>2022</b>	<b>2027E</b>
	%	%
Internet penetration rate of the PRC	75.6	90.0
Internet penetration rate in the lower-tier cities	61.9	82.0
Our Group's share of the edge computing market in eastern part of China, including Shanghai, Jiangsu Province, Zhejiang Province, Anhui Province, Shandong Province and Fujian Province	0.03	0.46
Our Group's share of the edge computing market in southern part of China, including Guangdong Province, Guangxi Province and Hainan Province	—	0.66
Our Group's share of the edge computing market in northern part of China, including Beijing, Tianjin, Hebei Province, Shanxi Province and Inner Mongolia	—	0.68
Our Group's share of the edge computing market in central part of China, including Henan Province, Hubei Province, Hunan Province and Jiangxi Province	—	0.58
Our Group's share of the edge computing market in north-eastern part of China, including Liaoning Province, Jilin Province and Heilongjiang Province	—	1.20
Our Group's share of the edge computing market in south-western part of China, including Sichuan Province, Guizhou Province, Yunnan Province, Chongqing and the Tibet Autonomous Region	—	0.74

## FUTURE PLANS AND USE OF PROCEEDS

	2022	2027E
	%	%
Our Group’s share of the edge computing market in north-western part of China, including Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Province and Xinjiang Uygur Autonomous Region	—	0.81

*Note:* the market share is arrived at by the amount of forecast revenue in the relevant regions divided by the estimated total market size of the edge computing market in the corresponding regions.

Based on the market demand and potential, expanding edge computing services into new and rural territories in the PRC is driven by the increasing user base in lower-tier cities, providing a significant market opportunity for edge computing service providers. By offering edge computing services in those areas, companies can cater to the demand for localised data processing, reduced latency, and improved performance. This expansion can facilitate the growth of the digital economy in these regions and create new business opportunities.

### **Recruitment of talents for IDC Solution Services and Edge Computing Services operations**

- Approximately 12.8%, or HK\$43.0 million of the net proceeds will be used to execute our recruitment plan for the components of the edge computing operation and edge cloud platform. This includes hiring staff for the administration team, streaming operation team, storage team, security team, communications team, service team, sales and marketing team and maintenance team. The staff recruited for the Edge Computing Services operation will be versatile and able to interchangeably take on the role of our IDC Solution Services operation. For detail of our recruitment plan, please refer to the paragraph headed “— Implementation Plans — Recruitment of talents for IDC Solution Services and Edge Computing Services operations” of this section.

Our Directors expect that in the short term, our Group will need to carry out its recruitment plan to implement its business development plan, and the growth rate of staff expenditure may temporarily exceed the growth rate of revenue. As the development of our business segments becomes mature and stable, the number of employees will become stable. Our Directors believe such circumstance is transitional and we envisage that the growth rate of employee expenses will not exceed the growth rate of revenue in the long term. Our Directors believe that in the ordinary course of business, our recruitment is demand and business-driven. In addition, based on our traditional prudent practice, it will be unlikely to have over-expansion in the long term.

## FUTURE PLANS AND USE OF PROCEEDS

### Cooperation with universities and research institutes for research and development

- Approximately 11.0%, or HK\$37.1 million will be used to develop edge computing technology and continue to integrate new technologies into our services to better serve our clients. Our cooperation with these universities, research institutes, technologies and enterprises may include (i) establishment of joint innovation laboratory; (ii) talent training in internship projects; and (iii) inter-enterprise research and technical cooperation. The proposed allocation of proceeds are as follows:

	<b>(i) Establishment of joint innovation laboratory</b>	<b>(ii) Talent training in internship projects</b>	<b>(iii) Inter-enterprise research and technical cooperation</b>
Details of how each project part to spend the funds raised and execution plan	To establish scientific research facilities and equipment for laboratory experiment, with an area of more than approximately 1,000 square metres	Tailor-made trainings are provided by our Group's mentors or external mentors to the interns	To collaborate research tasks, foster joint development, facilitate technology transfer and share research and development facilities and resources with other enterprises
The target of each project part and the positive impact it will have on our Group's operation	To improve our Group's innovation capability and promote the development of our products and strengthen our Group's competitiveness	To improve employees' abilities and efficiency, stimulate employees' enthusiasm and innovative capability and strengthen our Group's competitiveness	Inter-enterprise research and technical cooperation can utilise the governments' or trade associations' incentive measures. The cooperation will also strengthen ties and understanding among market players
The total approximate amount to be spent and its percentage of the total proceeds allocated for research and development	HK\$19.6 million/52.7%	HK\$6.7 million/18.1%	HK\$10.8 million/29.2%

Our basic cooperation principle is to have common technical and business goals, which include the research, development and commercialisation of edge computing technology, meet the industry-leading technical and business standard and achieve a win-win situation. These collaborations will enable us to accumulate various insights and help us explore new commercialisation opportunities. As at the Latest Practicable Date, we have entered into a cooperation agreement with our major supplier and government-funded scientific research institute, based on which our Group and the relevant parties will jointly conduct Metaverse research and development. Our Group has also entered into a cooperation agreement in relation to the construction of Artificial Intelligence and edge

## FUTURE PLANS AND USE OF PROCEEDS

computing joint laboratory with Xi'an Jiaotong University, and a cooperation framework agreement on the development and application of an intelligent new energy commercial vehicle with a commercial vehicle manufacturer and a technology company.

### Working capital and general corporate purposes

- Approximately 10.0%, or HK\$33.7 million will be used for working capital and general corporate purposes.

The table below sets forth the expected implementation timetable of our planned use of proceeds:

<u>Future plan</u>	<u>Percentage of total net proceeds</u>	<u>Estimated timeframe</u>		
		<u>2024</u>	<u>2025</u>	<u>2026</u>
(Percentage of total net proceeds)				
Existing business improvement and operation development	47.7	9.2	18.9	19.6
Comprehensive implementation and upgrade of our Edge Computing Services	18.5	7.5	6.7	4.3
Recruitment of talents for IDC Solution Services and Edge Computing Services operations	12.8	1.8	5.1	5.9
Cooperation with universities and research institutes for research and development	11.0	To be utilised on an as-needed basis		
Working capital and general corporate purposes	10.0	To be utilised on an as-needed basis		

The expected use of the net proceeds from the Global Offering represents our intentions based on our current plans and business conditions. As at the Latest Practicable Date, we cannot predict with certainty all of the particular uses for the net proceeds to be received upon the completion of the Global Offering or the amounts that we will actually spend on the uses set forth above. The amounts and timing of our actual expenditures may vary significantly depending on numerous factors, including the progress of development efforts, the status of business development and general economic conditions. As a result, our management will retain broad discretion over the allocation of the net proceeds from the Global Offering and may change the allocation of use of these proceeds among the uses described above.

## FUTURE PLANS AND USE OF PROCEEDS

### IMPLEMENTATION PLANS

#### Existing business improvement and operation development

##### *Our business plans and commercial rationale*

With respect to existing business improvement and operation development, our business plan primarily include (i) the purchase of various hardware and equipment to maintain network traffic stability in various locations where our IDC Solution Services and Edge Computing Services are operated; (ii) the purchase and installation of BMS in various locations where our IDC Solution Services operate; and (iii) the upgrade of our offices in Wuxi and Hangzhou.

It is expected that the purchase of various hardware and equipment and the purchase and installation of BMS will drive our business growth and be translated into sustainable profits going forward in the following ways:

1. As confirmed by the Directors, the IDC solution services in the market mainly consist of two tiers of services: (i) cabinet-type services in which the service providers own and provide usage of equipment and hardware, including servers, switchers and cabinets (collectively, the “**Equipment and Hardware**”), in addition to bandwidth, and (ii) bandwidth-type services in which the service providers do not own the Equipment and Hardware but acquire and provide cabinet usage in addition to bandwidth. During the Track Record Period, the Company’s IDC Solution Services were mainly the bandwidth-type services. However, since (i) owning the Equipment and Hardware allows the Company to provide a wider range of products to its existing clients and attract new clients, enhancing its competitiveness, (ii) it is more profitable to provide cabinet-type services; and (iii) the market size of carrier-neutral service providers is expected to maintain a modest-to-high growth rate of 17.2% from 2024 to 2028, our Directors believe that the provision of cabinet-type services, by including provision of Equipment and Hardware will increase our service offerings to our existing clients, who would be willing to accept a higher price for more holistic solutions and will have positive impact on our Group’s revenue growth and profit margin as well as the retention rate of our clients in the long run. In addition, the provision of cabinet-type services allows us to attract clients with sizeable businesses. Therefore, the provision of cabinet-type services can further optimise our Group’s client structure.
2. BMS is used to (i) overcome the challenges of overloaded tenant during peak loads, reduce defects, enhance security and privacy, and allow our clients to use our services for their needs, (ii) provide a higher level of efficiency by reducing defects that frequently appear in shared hardware operation, (iii) achieve higher level of security and privacy by physical isolation from other cloud servers, making influence from unwelcome attackers and covert channels impractical, and (iv) attain higher level of flexibility by allowing our clients and their customers to use our services in the amount at the time they needed. Our Directors believe that the use of BMS will provide stronger isolation, efficiency, security and flexibility compared to traditional cloud servers.

## FUTURE PLANS AND USE OF PROCEEDS

3. Based on the quotation obtained from third-party BMS suppliers, it is expected that purchasing BMS can save costs from additionally purchasing from our suppliers, while at the same time enabling us to have a better control over the performance of such equipment. The provision of BMS by suppliers may not be necessarily available in the desired data centre location as it is purely the suppliers' determination on their geographical deployment. The cost of procurement may fluctuate, resulting in a lack of consistency, certainty and continuity in incorporating BMS into our strategic expansion.
  
4. Our clients have indicated, either in written form or verbally, the potential significant growth in engagement volume with us, should we be able to provide a more comprehensive cabinet-type services (including BMS, servers, switchers, switch boards, server racks and cabinets in addition to bandwidth), which we believe will increase our clients' loyalty and lead to increase in the number of profitable clients. For example, a total of nine clients indicated through email their bandwidth demand for our EdgeCDN Services and BMS in the range of 20 to 800 Gbps per month should our capacity level be able to reach and BMS be adopted. It would be an estimated additional usage of 4,000 Gbps per month. The clients which indicated such interests contributed a total of RMB214.4 million, RMB246.0 million and RMB240.5 million, representing 46.2%, 44.8% and 34.6% of the total revenue for the three years ended 31 December 2023, respectively. We will also charge additional fee for some of the new offerings.

### *Our planned timetable*

Our plans to purchase various hardware and equipment for our IDC Solution Services and to purchase and install BMS for our IDC Solution Services include (the amount and timing of our expenditures may vary depending on progress of our development efforts, the status of business development and general economic conditions):

<u>Regions, parts of China</u>	<u>Locations of installation</u>	<u>Description</u>	<u>2024 Sets of Server Module/ HKD'000</u>	<u>2025 Sets of Server Module/ HKD'000</u>	<u>2026 Sets of Server Module/ HKD'000</u>
	<i>Installation since 2024</i>				
Eastern	Qingdao branch of Supplier A	Purchase and installation of BMS, servers, switcher and switch board (collectively, the "Server Module")	2/5,629.1	3/8,443.7	1/2,814.6
Southern	Guangzhou branch of Supplier A	Purchase and installation of Server Modules	1/2,814.6	1/2,814.6	1/2,814.6
Eastern	Jinan branch of Supplier A	Purchase and installation of Server Modules	1/2,814.6	2/5,629.1	1/2,814.6
North-western	Haidong branch of Supplier A	Purchase and installation of Server Modules	1/2,814.6	—	—
North-western	Lanzhou branch of Supplier A	Purchase and installation of Server Modules	1/2,814.6	1/2,814.6	—

## FUTURE PLANS AND USE OF PROCEEDS

Regions, parts of China	Locations of installation	Description	2024 Sets of Server Module/ HKD'000	2025 Sets of Server Module/ HKD'000	2026 Sets of Server Module/ HKD'000
North-western	Xi'an branch of Supplier A	Purchase and installation of Server Modules	1/2,814.6	1/2,814.6	—
North-western	Zhongwei (中衛) branch of Supplier A	Purchase and installation of Server Modules	1/2,814.6	—	—
Northern	Hohhot branch of Supplier A	Purchase and installation of Server Modules	1/2,814.6	2/5,629.1	—
<i>Installation since 2025</i>					
South-western	Kunming branch of Supplier A	Purchase and installation of Server Modules	—	1/2,814.6	1/2,814.6
South-western	Guiyang branch of Supplier A	Purchase and installation of Server Modules	—	1/2,814.6	1/2,814.6
South-western	Chongqing branch of Supplier A	Purchase and installation of Server Modules	—	2/5,629.1	1/2,814.6
South-western	Chengdu branch of Supplier A	Purchase and installation of Server Modules	—	1/2,814.6	1/2,814.6
Northern	Shijiazhuang branch of Supplier A	Purchase and installation of Server Modules	—	1/2,814.6	1/2,814.6
Central	Wuhan branch of Supplier A	Purchase and installation of Server Modules	—	1/2,814.6	1/2,814.6
Central	Changsha branch of Supplier A	Purchase and installation of Server Modules	—	1/2,814.6	1/2,814.6
Southern	Nanning branch of Supplier A	Purchase and installation of Server Modules	—	1/2,814.6	1/2,814.6
North-eastern	Harbin branch of Supplier A	Purchase and installation of Server Modules	—	1/2,814.6	1/2,814.6
North-eastern	Dalian branch of Supplier A	Purchase and installation of Server Modules	—	1/2,814.6	1/2,814.6
<i>Installation since 2026</i>					
Central	Zhengzhou branch of Supplier A	Purchase and installation of Server Modules	—	—	1/2,814.6
Northern	Taiyuan branch of Supplier A	Purchase and installation of Server Modules	—	—	1/2,814.6
Northern	Baotou branch of Supplier A	Purchase and installation of Server Modules	—	—	1/2,814.6
Eastern	Qingdao branch of Supplier L	Purchase and installation of Server Modules	—	—	1/2,814.6
Eastern	Dezhou branch of Supplier L	Purchase and installation of Server Modules	—	—	2/5,629.1
Northern	Hohhot branch of Supplier L	Purchase and installation of Server Modules	—	—	2/5,629.1

- By the end of 2024, we plan to have purchased and installed the Server Modules mainly in the areas of our primary operations including Qingdao, Jinan and Hohhot and certain economically developed areas where we previously had operations including Guangzhou and Xi'an. We expect that by starting the deployment in the areas of our existing



## FUTURE PLANS AND USE OF PROCEEDS

operations, we can strengthen and deepen our existing cooperation with our clients and meet their upgraded demand for our services and provide a broad and solid foundation for our Group's experience accumulation.

- By the end of 2025, we plan to have completed the deployment in the provincial capitals of south-western, central and north-eastern regions of China. With the experience accumulated from deploying Server Modules and upgrading switchers in 2024, we have extended our operations to certain economically developed areas of our previous operations during or before the Track Record Period. Upon the completion of this stage, we expect we will have achieved a wider coverage of our operation.
- By the end of 2026, we plan to have extended our coverage further in the central region of China and our cooperation with other state-owned telecommunication carriers other than Supplier A. At this stage, the installation of Server Modules will have been largely completed.

### ***Upgrade of our offices in Wuxi and Hangzhou***

In relation to the upgrade of our offices in Wuxi and Hangzhou, we plan to commence the upgrade and enhancement in the fourth quarter in 2024 and expect the enhancement will be completed by the fourth quarter of 2026. The enhanced Wuxi and Hangzhou's office facilities and offices are expected to provide additional office space to support our recruitment plan over the next three years. We believe that our enlarged research and development team would facilitate us to accelerate development and commercialisation of technology under *Lingjing Cloud*. Further, these new staffs could help us address the evolving business need of our clients of our Edge Computing Services.

### ***Cost and benefit analysis***

Our Directors are of the view that (i) the purchase of various hardware and equipment to maintain network traffic stability in various locations where our IDC Solution Services and Edge Computing Services are operated, and (ii) the purchase and installation of BMS in various locations where our IDC Solution Services operate will be beneficial to our business strategy to further expand our business scale and market share on the following analysis:

#### ***(i) Enhancement on our Group's productivity***

The purchase of the desired hardware and equipment to replace the existing ones will be crucial for us to capture the growing demand from the market to increase our Group's revenue. This is consistent with our marketing strategies to expand our sales volume. Equipping ourselves with up-to-date hardware and equipment is fundamental for us to catch up with the ever-evolving technology development in the market.

## FUTURE PLANS AND USE OF PROCEEDS

### *(ii) Improvement in our Group's financial performance*

Based on our clients' representations to our Directors, if our IDC Solution Services are provided with our BMS, we can achieve a significant growth of business volume. Our Directors consider the purchase of BMS will serve as another business growth engine for our Group. In addition, cabinet-type services with our Server Modules involve a more comprehensive type of services than the bandwidth-type, resulting in a more entrenched relationship with our clients and enhancing our Group's bargaining power to charge at a much higher rate, thereby improving our business profitability.

### *(iii) Reduced reliance on supplier's facilities in the provision of cabinet-type services*

Installing self-owned BMS and other Server Modules enables us to be less subject to the suppliers' geographical deployment of the same and less susceptible to the cost fluctuation. In addition, as we expand our coverage, we could enjoy economies of scale of our investment in the Server Modules and BMS. The wider coverage of our pool of bandwidth locations for our scheduling and allocation can further drive down our average bandwidth cost.

## **Comprehensive implementation and upgrade of our *Lingjing Cloud***

### ***Our Business plans and commercial rationale***

*Lingjing Cloud* is our Edge Computing Services platform which will become one of our Group's business growth engines. It is expected that the comprehensive implementation and upgrade of our *Lingjing Cloud* will drive our business growth and be translated into sustainable profits going forward in the following ways:

1. Our Edge Computing Services provide an edge computing platform based on our edge computing infrastructure, building multiple servers and automatic failover and recovery system at various planned locations, bypassing the access to central servers of our data centre resource providers. This allows our clients and their customers to have a more efficient, secured, reliable and improved user's experience in our Edge Computing Services, including EdgeCDN Services and EdgeAIoT Services. For the year ended 31 December 2023, the gross profit margin under Edge Computing Services amounted to 20.4% compared with 11.9% of IDC Solution Services. Scaling up our Edge Computing Services will have a positive impact on our Group's profitability.
2. As our Group sources packet ports from our suppliers, our operational efficiency determines the utilisation rate of those packet ports, which usually exceeds 100%. After the packet ports have been fully utilised, any further and repeated bandwidth utilisation of packet port is deemed as being "reused". It has been proven that our edge computing infrastructure enhances the reuse rate of the bandwidth usage for our IDC Solution Services, thereby further driving down the average cost of our IDC Solution Services business.

## FUTURE PLANS AND USE OF PROCEEDS

3. The edge computing market is expected to grow rapidly from RMB99.4 billion in 2024 to RMB310.2 billion in 2028, representing a CAGR of 32.9%. It is expected that there will be more business opportunities for edge computing services in the future. In light of such market trend, the development of our Edge Computing Services is necessary for us to maintain competitive edge and we expect to obtain new business opportunities with our upgraded Edge Computing Services. We believe the growth of the edge computing market in China provides us with significant growth headroom to explore new clients. We strive to acquire new clients to grow our client base. We will enhance our sales and marketing efforts to attract new clients and accelerate the construction of our edge computing infrastructure.
4. As mentioned above, our Lower-tier Region Network Strategy Infrastructure will be installed in various regions of China, including locations where we have no/minimal business operations, such as Liaoning Province, Jilin Province and Heilongjiang Province. Nevertheless, we have been proactively expanding our edge computing network and developing our edge computing infrastructure with internal funds on a limited scale since the launch of our Edge Computing Services under the brand of *Lingjing Cloud*. In particular, we have been communicating with our clients regularly and working closely with them to identify their demands for our Edge Computing Services from time to time. Upon receiving the confirmations from our clients, we will arrange for the necessary hardware to be connected to our edge computing network. For example, we have recently extended the coverage of our edge computing network in the north-eastern part of China, including Liaoning Province, Jilin Province and Heilongjiang Province.
5. Despite the lack of sufficient business operations in certain geographical regions during the Track Record Period, our Directors are of the view that there are no material difficulties in expanding our Edge Computing Services into such regions based on the following grounds:
  - Our Group has been accustomed to coordinating data centre resources across different regions in the PRC. Leveraging on our extensive cross-regional network of managed data centres, our presence has been extended across 19 provinces and 38 cities since we first engaged in the provision of IDC Solution Services in 2016. With our previous experience in business expansion and our existing presence in various geographical regions, we do not foresee any material hurdle that inhibits our growth and development in the Edge Computing Services segment.
  - We established certain experimental edge computing infrastructure in the Shandong Province in the year ended 31 December 2022. Such infrastructure was designated to be applicable to different regions in the PRC, thereby creating technological and cost advantages of our Group in expanding into different geographical regions of China.

## FUTURE PLANS AND USE OF PROCEEDS

- We recorded a significant growth in the number of edge nodes deployed by us during the Track Record Period. In particular, the number of our edge nodes increased from seven for the year ended 31 December 2022 to 35 for the year ended 31 December 2023.
  - Given that (i) our plan is to expand our Edge Computing Services into new and rural territories by establishing edge computing infrastructure in prefecture-level cities or administrative districts and counties of the PRC; and (ii) the Internet penetration rate in low-tier cities is relatively low, a substantial part of the market potential remains unrealised and hence reducing the difficulty for us to expand into such regions.
6. Our Directors are of the view that the current limiting factor of our development in Edge Computing Services remains the capital requirement, which is one of the operational constraints in the industry, considering the amount of investment required for scaling edge computing services. Pursuant to our implementation plans, upon receiving the net proceeds from the Global Offering, we would be able to, among others, (i) establish edge computing infrastructure across different geographical regions of the PRC; (ii) adopt or include the use of BMS to expand the business offerings under our Edge Computing Services; and (iii) recruit various technicians and staff for the operation, maintenance and development of *Lingjing Cloud*. The upgrade of our *Lingjing Cloud* will be beneficial for our constant development on Edge Computing Services, including EdgeCDN Services and EdgeAIoT Services which have generated revenue during the Track Record Period. Notwithstanding the above, we will continue to utilise our currently available internal funds to develop our edge computing network on a limited scale before the Global Offering.

### **Recruitment of talents for IDC Solution Services and Edge Computing Services operations**

#### ***Our Business plans and commercial rationale***

For the development of our *Lingjing Cloud* platform we plan to expand our research and development team through internal referral, recruitment advertisements and school recruitment. These talents include system development, front-end application development, back-end application development, iOS mobile development, Android mobile development, product management, user interface design and operation management staff, mainly with the academic and working backgrounds in computer science, software engineering or computer related subjects. Our Directors, based on the market knowledge and experiences and after having considered our future plans, particularly our plan to expand our Edge Computing Services business, including our EdgeCDN Services and EdgeAIoT Services, expect that the recruitment of the abovementioned talents or professionals over the next three years as our current workforce is not sufficient to support full implementation.

## **FUTURE PLANS AND USE OF PROCEEDS**

For the deployment of hardware and equipment for the provision of the cabinet-type services under our IDC Solution Services operation, given the expansion of our operation network, we plan to expand our maintenance team through internal referral and recruitment advertisements. These talents includes general maintenance, network maintenance and development maintenance staff, mainly with the background of IDC operation and management. Our Directors believe that the abovementioned talents and professionals are necessary to support our geographical expansion of our IDC Solution Services.

During the Track Record Period, our research and development and maintenance staff were mainly responsible for (i) the product development of our Edge Computing Services including the EdgeCDN Services and EdgeAIoT Services which have generated revenue during the Track Record Period as well as certain other services which are under development and are expected to be launched by the second half of 2024, such as the functionalities of storage, security, cloud service and communication services at the edge nodes; and (ii) maintenance, operation and management for our IDC Solution Services.

## FUTURE PLANS AND USE OF PROCEEDS

The following table sets forth the salary levels and job requirements of the staff of our IDC Solution Services business and Edge Computing Services business that we intend to recruit:

Business segment	Locations	Positions	Roles and functions	Yearly remuneration (RMB '000)	No. of additional employees to be hired in 2024	No. of additional employees to be hired in 2025	No. of additional employees to be hired in 2026	Qualifications and experiences	Reasons for recruiting additional employees for the position
Lingling Cloud (Edge Computing Services)	Hangzhou	System development (edge computing stream) — expert level	Manage core project development and daily maintenance and development, and lead the construction of testing framework	450–500	1	—	1	Over 5 years experience at system engineering-related industry, bachelor degree or above, proficient in certain development languages	There will be two additional expert level engineers to be hired in 2024 and 2026 after the listing, chairing their respective team for the system development for edge computing stream, including edge computing infrastructure and edge computing service offerings, as its geographical coverage expands to different additional prefecture-level cities or administrative districts and counties and business scale continues to expand. Currently, there is insufficient number of staff to handle the expansion.
			Manage project development and daily maintenance and participate in the construction of testing framework	350–400	1	2	1	3–5 years experience at system engineering-related industry, bachelor degree or above, proficient in certain development languages	There will be two additional expert level engineers to be hired in 2024 and 2026 after the listing, chairing their respective team for the system development for edge computing stream, including edge computing infrastructure and edge computing service offerings, as its geographical coverage expands to different additional prefecture-level cities or administrative districts and counties and business scale continues to expand. Currently, there is insufficient number of staff to handle the expansion.
			Perform project development and daily maintenance and development, handle code review	250–300	4	2	2	Less than 3 years experience at system engineering-related industry, bachelor degree or above, understanding in certain development languages	There will be two additional two expert level engineers to be hired in 2024 after the listing, chairing their respective team for the system development for edge computing stream, including edge computing infrastructure and edge computing service offerings, as its geographical coverage expands to different additional prefecture-level cities or administrative districts and counties and business scale continues to expand. Currently, there is insufficient number of staff to handle the expansion.
Lingling Cloud (Edge Computing Services)	Wuxi	System development (CDN stream) — expert level	Manage core project development and daily maintenance and development, and lead the construction of testing framework	300–350	2	—	—	Over 5 years experience at system engineering-related industry, bachelor degree or above, proficient in certain development languages	There will be two additional two expert level engineers to be hired in 2024 after the listing, chairing their respective team for the system development for edge computing stream, including edge computing infrastructure and edge computing service offerings, as its geographical coverage expands to different additional prefecture-level cities or administrative districts and counties and business scale continues to expand. Currently, there is insufficient number of staff to handle the expansion.
			Manage project development and daily maintenance and participate in the construction of testing framework	250–300	2	—	—	3–5 years experience at system engineering-related industry, bachelor degree or above, proficient in certain development languages	There will be two additional two expert level engineers to be hired in 2024 after the listing, chairing their respective team for the system development for edge computing stream, including edge computing infrastructure and edge computing service offerings, as its geographical coverage expands to different additional prefecture-level cities or administrative districts and counties and business scale continues to expand. Currently, there is insufficient number of staff to handle the expansion.

## FUTURE PLANS AND USE OF PROCEEDS

Business segment	Locations	Positions	Roles and functions	Yearly remuneration (RMB'000)	No. of additional employees to be hired in 2024	No. of additional employees to be hired in 2025	No. of additional employees to be hired in 2026	Qualifications and experiences	Reasons for recruiting additional employees for the position
		System development (CDN stream) — intermediate level	Perform project development and daily maintenance and development, handle code review	200–250	—	4	—	Less than 3 years experience at system engineering-related industry, bachelor degree or above, understanding in certain development languages	
		Front-end application development — expert level	Plan and design large-scale front-end technology, manage and design application projects and liaise with back-end development	300–350	2	—	—	Over 5 years experience at computing-related industry, bachelor degree or above, proficient in certain coding languages	There will be two additional expert level engineers to be hired in 2024 after the listing, chairing their respective team for the front-end application development, including edge storage, edge streaming and edge security, as its geographical coverage expands to different additional prefecture-level cities or administrative districts and counties. Currently, there is insufficient number of staff to handle the expansion.
		Front-end application development — senior level	Independently perform complex module development and link front-end application to back-end application	250–300	2	—	2	3–5 years experience at computing-related industry, bachelor degree or above, proficient in certain coding languages	
		Front-end application development — intermediate level	Independently perform simple module development and assist in development projects	150–200	4	1	—	Less than 3 years experience at computing-related industry, bachelor degree or above, understanding in certain coding languages	
		Back-end application development — expert level	Manage multiple core development projects, perform core coding, instruct and train engineers	300–350	1	1	—	Over 5 years experience at computing-related industry, bachelor degree or above, proficient in certain coding languages	There will be two additional expert level engineers to be hired in 2024 and 2025 after the listing, chairing their respective team for the back-end application development, as its geographical coverage expands to different additional prefecture-level cities or administrative districts and counties and business scale continues to expand. Currently, there is insufficient number of staff to handle the expansion.
		Back-end application development — senior level	Independently maintain core projects, perform complex module development and review development code	200–250	1	1	—	3–5 years experience at computing-related industry, bachelor degree or above, proficient in certain coding languages	
		Back-end application development — intermediate level	Perform development per instructions, perform coding and provide technical support	150–200	4	1	—	Less than 3 years experience at computing-related industry, bachelor degree or above, understanding in certain coding languages	



## FUTURE PLANS AND USE OF PROCEEDS

Business segment	Locations	Positions	Roles and functions	Yearly remuneration (RMB'000)	No. of additional employees to be hired in 2024	No. of additional employees to be hired in 2025	No. of additional employees to be hired in 2026	Qualifications and experiences	Reasons for recruiting additional employees for the position
		iOS mobile development — expert level	Manage multiple core development projects, perform core coding, instruct and train engineers	300–350	1	—	—	Over 5 years experience at computing-related industry, bachelor degree or above, proficient in certain coding languages	There will be one additional expert level engineers to be hired in 2024 after the listing, chairing team for the iOS mobile development, as its geographical coverage expands to different additional prefecture-level cities or administrative districts and counties and business scale continues to expand. Currently, there is insufficient number of staff to handle the expansion.
		iOS mobile development — senior level	Independently maintain core projects, perform complex module development and review development code	250–300	1	—	—	3–5 years experience at computing-related industry, bachelor degree or above, proficient in certain coding languages	There will be one additional expert level engineer to be hired in 2024 after the listing, chairing team for the Android mobile development, as its geographical coverage expands to different additional prefecture-level cities or administrative districts and counties and business scale continues to expand. Currently, there is insufficient number of staff to handle the expansion.
		iOS mobile development — intermediary level	Perform development per instructions, perform coding and provide technical support	150–200	—	—	2	Less than 3 years experience at computing-related industry, bachelor degree or above, understanding in certain coding languages	There will be one additional expert level engineer to be hired in 2024 after the listing, chairing team for the Android mobile development, as its geographical coverage expands to different additional prefecture-level cities or administrative districts and counties and business scale continues to expand. Currently, there is insufficient number of staff to handle the expansion.
		Android mobile development — expert level	Manage multiple core development projects, perform core coding, instruct and train engineers	300–350	1	—	—	Over 5 years experience at computing-related industry, bachelor degree or above, proficient in certain coding languages	There will be one additional expert level engineer to be hired in 2024 after the listing, chairing team for the Android mobile development, as its geographical coverage expands to different additional prefecture-level cities or administrative districts and counties and business scale continues to expand. Currently, there is insufficient number of staff to handle the expansion.
		Android mobile development — senior level	Independently maintain core projects, perform complex module development and review development code	250–300	1	—	—	3–5 years experience at computing-related industry, bachelor degree or above, proficient in certain coding languages	There will be one additional expert level engineer to be hired in 2024 after the listing, chairing team for the Android mobile development, as its geographical coverage expands to different additional prefecture-level cities or administrative districts and counties and business scale continues to expand. Currently, there is insufficient number of staff to handle the expansion.
		Android mobile development — intermediate level	Perform development per instructions, perform coding and provide technical support	150–200	—	—	2	Less than 3 years experience at computing-related industry, bachelor degree or above, understanding in certain coding languages	There will be one additional expert level engineer to be hired in 2024 after the listing, chairing team for the Android mobile development, as its geographical coverage expands to different additional prefecture-level cities or administrative districts and counties and business scale continues to expand. Currently, there is insufficient number of staff to handle the expansion.

## FUTURE PLANS AND USE OF PROCEEDS

Business segment	Locations	Positions	Roles and functions	Yearly remuneration (RMB'000)	No. of additional employees to be hired in 2024	No. of additional employees to be hired in 2025	No. of additional employees to be hired in 2026	Qualifications and experiences	Reasons for recruiting additional employees for the position
		Product management — expert level	Responsible for management and design of multiple product lines, feasibility studies and data analysis	300–350	1	—	—	Over 5 years experience at computing-related industry, bachelor degree or above, proficient in product development and commercialisation	There will be one additional expert level engineer to be hired in 2024 after the listing, chairing team for the product management, as its geographical coverage expands to different additional prefecture-level cities or administrative districts and counties and business scale continues to expand. Currently, there is insufficient number of staff to handle the expansion.
		Product management — senior level	Responsible for management and design of single product line, audit of codes and data analysis	250–300	1	—	—	3–5 years experience at computing-related industry, bachelor degree or above, familiar with product development and commercialisation	
		Product management — intermediate level	Responsible for data collection, organisation and presentation, and protocol design	100–150	—	1	1	3–5 years experience at computing-related industry, bachelor degree or above, understanding in product implementation	
		User Interface design — expert level	Establish design protocol, translate client's demand into solution and control quality	250–300	1	—	—	Over 7 years experience at art, graphic design, advertising or visual communication industry, bachelor degree or above, proficient in various design methodologies	There will be one additional expert level engineer to be hired in 2024 after the listing, chairing team for the user interface design, including the product/service's appearance, interactivity, usability, and the overall style, as its geographical coverage expands to different additional prefecture-level cities or administrative districts and counties and business scale continues to expand. Currently, there is insufficient number of staff to handle the expansion.
		User Interface design — senior level	Formulate design strategy per instructions, devise standard for large-scale design project and review and provide improvement suggestion	200–250	1	—	—	Over 3 years experience at art, graphic design, advertising or visual communication industry, bachelor degree or above, proficient in various design methodologies	
		User Interface design — intermediate level	Independently handle regular design project, manage various design tools and communicate with clients	150–200	—	1	—	Less than 3 years experience at art, graphic design, advertising or visual communication industry, bachelor degree or above, understanding in various design methodologies	

## FUTURE PLANS AND USE OF PROCEEDS

Business segment	Locations	Positions	Roles and functions	Yearly remuneration (RMB'000)	No. of additional employees to be hired in 2024	No. of additional employees to be hired in 2025	No. of additional employees to be hired in 2026	Qualifications and experiences	Reasons for recruiting additional employees for the position
		Operation maintenance — expert level	Manage daily operation maintenance, problem-solving and complaint handling	250–300	1	—	—	Over 10 years operation experience in computer, software engineering, telecommunication, electronic or information technology-related industry, bachelor degree or above, proficient in various operation maintenance techniques	There will be one additional expert level engineer to be hired in 2024 after the listing, chairing team for the operation management of the edge computing infrastructure, as its geographical coverage expands to different additional prefecture-level cities or administrative districts and counties and business scale continues to expand. Currently, there is insufficient number of staff to handle the expansion.
		Operation maintenance — senior level	Perform daily operation maintenance, data analysis and solve emergency situation	150–200	1	1	—	Over 7 years operation experience in computer, software engineering, telecommunication, electronic or information technology-related industry, bachelor degree or above, proficient in various operation maintenance techniques	
		Operation maintenance — intermediate level	Independently handle network failure and software and hardware installation	100–150	4	1	—	Over 3 years operation experience in computer, software engineering, telecommunication, electronic or information technology-related industry, bachelor degree or above, proficient in various operation maintenance techniques	

## FUTURE PLANS AND USE OF PROCEEDS

Business segment	Locations	Positions	Roles and functions	Yearly remuneration (RMB'000)	No. of additional employees to be hired in 2024	No. of additional employees to be hired in 2025	No. of additional employees to be hired in 2026	Qualifications and experiences	Reasons for recruiting additional employees for the position
IDC Solution Services	Wuxi	General maintenance — expert level	Manage daily operation maintenance, problem-solving and complaint handling	200–250	1	—	—	Over 10 years operation experience in computer, software engineering, telecommunication, electronic or information technology-related industry and over 6 years' experience in IDC-related industry, bachelor degree or above, proficient in various operation maintenance techniques	More maintenance staff are required to oversee and manage the additional operation sites as our business expands over the years. There will be one additional expert level staff heading two teams each of which will be headed by one senior level staff, in order to manage the additional operation sites according to the above timetable of business improvement and operation development.
		General maintenance — senior level	Perform daily operation maintenance, data analysis and solve emergency situation	150–200	2	—	—	Over 6 years operation experience in computer, software engineering, telecommunication, electronic or information technology-related industry and 3 years' experience in IDC-related industry, bachelor degree or above, proficient in various operation maintenance techniques	
		General maintenance — intermediate level	Independently handle network failure and software and hardware installation	50–100	7	2	—	Over 3 years operation experience in computer, software engineering, telecommunication, electronic or information technology-related industry, bachelor degree or above, proficient in various operation maintenance techniques	

## FUTURE PLANS AND USE OF PROCEEDS

Business segment	Locations	Positions	Roles and functions	Yearly remuneration (RMB'000)	No. of additional employees to be hired in 2024	No. of additional employees to be hired in 2025	No. of additional employees to be hired in 2026	Qualifications and experiences	Reasons for recruiting additional employees for the position
		Network maintenance expert level	Manage daily operation maintenance, problem-solving and complaint handling	200-250	1	—	—	Over 10 years operation experience in computer, software engineering, telecommunication, electronic or information technology-related industry and over 6 years' experience in IDC-related industry, bachelor degree or above, proficient in various operation maintenance techniques	More maintenance staff are required to oversee and manage the additional operation sites as our business expands over the years. There will be one additional expert level staff heading one team of which will be headed by one senior level staff, in order to manage the additional operation sites according to the above timetable of business improvement and operation development.
		Network maintenance senior level	Perform daily operation maintenance, data analysis and solve emergency situation	150-200	1	—	—	Over 6 years operation experience in computer, software engineering, telecommunication, electronic or information technology-related industry and 3 years' experience in IDC-related industry, bachelor degree or above, proficient in various operation maintenance techniques	
		Network maintenance intermediate level	Independently handle network failure and software and hardware installation	50-100	2	2	—	Over 3 years operation experience in computer, software engineering, telecommunication, electronic or information technology-related industry, bachelor degree or above, proficient in various operation maintenance techniques	

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Business segment	Locations	Positions	Roles and functions	Yearly remuneration (RMB'000)	No. of additional employees to be hired in 2024	No. of additional employees to be hired in 2025	No. of additional employees to be hired in 2026	Qualifications and experiences	Reasons for recruiting additional employees for the position
		Development maintenance — expert level	Manage daily operation maintenance, problem-solving and complaint handling	200–250	1	—	—	Over 10 years operation experience in computer, software engineering, telecommunication, electronic or information technology-related industry and over 6 years' experience in IDC-related industry, bachelor degree or above, proficient in various operation maintenance techniques	More maintenance staff are required to oversee and manage the additional operation sites as our business expands over the years. There will be one additional expert level staff heading one team of which will be headed by one senior level staff, in order to manage the additional operation sites according to the above timetable of business improvement and operation development.
		Development maintenance — senior level	Perform daily operation maintenance, data analysis and solve emergency situation	150–200	1	—	—	Over 6 years operation experience in computer, software engineering, telecommunication, electronic or information technology-related industry and 3 years' experience in IDC-related industry, bachelor degree or above, proficient in various operation maintenance techniques	
		Development maintenance — intermediate level	Independently handle network failure and software and hardware installation	50–100	2	2	—	Over 3 years operation experience in computer, software engineering, telecommunication, electronic or information technology-related industry, bachelor degree or above, proficient in various operation maintenance techniques	

## FUTURE PLANS AND USE OF PROCEEDS

### *Cost and benefit analysis*

In order to consistently develop our cabinet-type services under our IDC Solution Services and our Edge Computing Services, we plan to recruit a total of 89 staff for the next three years as (i) the geographical coverage of our operations will expand to more regions in China from the current focus on Shandong Province and Inner Mongolia; (ii) the current workforce is insufficient to support our expansion; (iii) research and development work for our Edge Computing Services are labour-intensive, with a view to self-developing most of our product and service offerings; and (iv) our IDC Solution Services and Edge Computing Services businesses are independent of and are not sharing talents with each other, although other resources such as BMS or equipment may be shared.

Our Directors consider that engaging third-party service suppliers in the management of our cabinet-type IDC Solution Services and the research and development of our Edge Computing Services is not in the best interest of our Group. The overall security and stability are of paramount concern to both of our IDC Solution Services and Edge Computing Services. If third-party service suppliers were to be engaged, we may face the risks of (i) unpredictable interruption to the stability of the bandwidth we provide, (ii) unreliable service quality, and (iii) leakage of intellectual property rights, trade-secret and know-how. In addition, out of the third-party service suppliers' own organisational and operational status, including liquidation and staff dismissal, there may exist unpredictable and uncontrollable uncertainties of their work quality.

Based on the salary quotation we understand from the market and recruitment professionals, our Directors believe that recruiting our own personnel can save costs from engaging third-party service suppliers and will be beneficial to our Group's long-term development as we can have better control of our cost and our staffs' performance.

Our Directors expect that in the short term, our Group will need to carry out its recruitment plan to implement its business development plan, and the growth rate of staff expenditure may temporarily exceed the growth rate of revenue. As the development of our business segments become mature and stable, the number of employees will become stable. Our Directors believe such circumstance is transitional and we envisage that the growth rate of revenue will surpass the growth rate of employee expenses in the long term. Our Directors believe that in the ordinary course of business, its recruitment is demand, development and business-driven. Based on our Group's traditional prudent practice, it will be unlikely to have over-expansion in the long term.

The above implementation plans and analysis are based on the results of market experience, research, financial preliminary assessment and feasibility studies undertaken during the Track Record Period and up to the Latest Practicable Date.

Based on the Offer Price of HK\$4.6 per Offer Share, we estimate that the net proceeds to the Selling Shareholder from the sale of Sale Shares pursuant to the Global Offering will be approximately HK\$133.9 million after deducting the underwriting commission and estimated related expenses payable by the Selling Shareholder. We will not receive net proceeds from the sale of Sale Shares by the Selling Shareholder in the Global Offering.



## **FUTURE PLANS AND USE OF PROCEEDS**

To the extent our net proceeds are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, our Company will only deposit those net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions). We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

If the Over-allotment Option is fully exercised, our Company will receive additional net proceeds of HK\$77.0 million for 17,250,000 Shares to be allotted and issued upon the full exercise of the Over-allotment Option based on the Offer Price of HK\$4.6 per Offer Share and after deducting the underwriting fees and commissions payable by our Company. The additional amount raised will be applied to the above areas of use of proceeds on a pro rata basis.

## UNDERWRITING

### HONG KONG UNDERWRITERS

SPDB International Capital Limited  
CMB International Capital Limited  
CLSA Limited  
CEB International Capital Corporation Limited  
Livermore Holdings Limited  
Essence International Securities (Hong Kong) Limited  
First Shanghai Securities Limited  
CMBC Securities Company Limited  
CCB International Capital Limited  
Fosun International Securities Limited  
Futu Securities International (Hong Kong) Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### **Hong Kong Public Offering**

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, we are offering 11,500,000 Hong Kong Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on the terms and subject to the conditions in this prospectus and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as mentioned in this prospectus (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such approval not having been withdrawn; and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed, severally but not jointly to subscribe, or procure subscribers to subscribe for their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions as set out in this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, amongst other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

## UNDERWRITING

### *Grounds for Termination*

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into effect:
  - (i) any event or series of events resulting in or representing a change or development involving a prospective change, in local, national, regional or international financial, political, military, industrial, legal, regulatory, currency, credit, economic, fiscal, exchange control or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets, credit markets and inter-bank markets) in or affecting Hong Kong, Singapore, the Cayman Islands, the BVI, the PRC, the United States, the United Kingdom and the European Union (or any member thereof), or any other jurisdiction relevant to any member of the Group (collectively the “**Relevant Jurisdictions**”);
  - (ii) any new law or regulation or any change or development or announcement or publication involving a prospective change or any event or circumstance likely to result in a change or a development or announcement or publication involving a prospective change in any existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent governmental authority in or affecting any of the Relevant Jurisdictions;
  - (iii) any event or series of events in the nature of force majeure (including, without limitation, any acts of government, declaration of a local, regional, national or international emergency or war, calamity, crisis, epidemic, pandemic, large scale outbreaks of diseases or its escalation, mutation or aggravation of diseases (including, without limitation, COVID-19, Severe Acute Respiratory Syndrome (SARS), swine or avian flu, H5N1, H1N1, H7N9, Ebola virus, Middle East respiratory syndrome and such related/mutated forms), comprehensive sanctions, strikes, labor disputes, lock-outs, other industrial actions, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, riots, rebellion, public disorder, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), paralysis in government operations, interruptions or delay in transportation) in or affecting any of the Relevant Jurisdictions;
  - (iv) 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 calamity or crisis in or affecting any of the Relevant Jurisdictions;

## UNDERWRITING

- (v) the imposition or declaration of (1) any moratorium, suspension, restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the London Stock Exchange, or (2) any general moratorium on, or disruption in, commercial banking activities or foreign exchange trading or securities settlement or clearing services in or affecting any of the Relevant Jurisdictions;
- (vi) any change or development involving a change or prospective change or amendment in or affecting taxation or exchange controls (or the implementation of any exchange control) or currency exchange rates or foreign investment regulations in or affecting any of the Relevant Jurisdictions (including any material fluctuation in the Hong Kong dollars or Renminbi against any foreign currencies) or affecting an investment in the Offer Shares;
- (vii) the commencement by any governmental authority or other regulatory or political body or law enforcement agency or organization of any action or investigation against a Director in his capacity as such or any member of the Group or an announcement by any governmental authority or regulatory or political body or law enforcement agency or organization that it intends to take any such action;
- (viii) any imposition of economic sanction, in whatever form, directly or indirectly, by, or for, the U.S. or the European Union (or any member thereof) on any of the Relevant Jurisdictions;
- (ix) any change in the system under which the value of the Hong Kong dollar is linked to that of the U.S. dollar or the value of the RMB is determined by reference to a basket of world currencies or a material devaluation of Hong Kong dollars, or the Renminbi against any foreign currency;
- (x) any change or development or event involving a prospective change in the Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects, or any change in capital stock or long-term debt of the Company or any other member of the Group, or any loss or interference with the assets, operations or business of the Company or any other member of the Group, which (in any such case) is not set forth in this prospectus;
- (xi) a demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or

## UNDERWRITING

(xii) other than with the prior written consent of the Overall Coordinators, the issue or requirement to issue by the Company of a supplemental prospectus or amendment to this prospectus, the preliminary offering circular, the final offering circular or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC;

and which, in any such case (whether individually or in the aggregate), and in the sole and absolute opinion of the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters): (1) has or will or may have a material adverse effect; or (2) has or will or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or the distribution of the Offer Share under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make it impracticable, inadvisable, inexpedient, incapable or not commercially viable (i) to proceed with any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering and/or the Global Offering or (ii) for the delivery of Shares on the terms and in the manner contemplated by this prospectus or (iii) for any part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented as envisaged; or

(b) there has come to the notice of the Overall Coordinators after the date of the Hong Kong Underwriting Agreement:

(i) any statement contained in, among other things, this prospectus, the application proof, the post-hearing information pack, the formal notice, the disclosure package, the receiving banks agreement, the registrar agreement, the preliminary offering circular, and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of the Company in connection with the Global Offering (including any supplement or amendment thereto) (the “**Offer-Related Documents**”) was or has become untrue or incorrect or incomplete in any material respect or misleading in any respect, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable assumptions with reference to the facts and circumstances then subsisting;

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from, or misstatement in, any of the Offer-Related Documents;

(iii) any matter, event, act or omission which gives or is likely to give rise to any liability on the part of the Company or the executive Directors and the Controlling Shareholders out of or in connection with any material breach, inaccuracy and/or

## UNDERWRITING

incorrectness of the representations, warranties, and undertakings, or that any of the representations or warranties is misleading and/or the indemnities given by the Company, the executive Directors, and the Controlling Shareholders or any of them under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement (or would if repeated at that time);

- (iv) any material breach of any of the obligations or undertakings of the Company, the executive Directors or the Controlling Shareholders under the Hong Kong Underwriting Agreement, the International Underwriting Agreement;
- (v) any change or any development involving a prospective material adverse change in, or a materialization of any of, any of the risks set out in the section headed “Risk Factors” in this prospectus;
- (vi) (1) any Director, chief executive officer or finance manager of the Company seeks to resign or retire, or is removed from office, or (2) any Director or any member of senior management of the Company as named in this prospectus is being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management of a company, or;
- (vii) a contravention by any member of the Group of the Listing Rules or the Companies Ordinance or any applicable laws or regulations;
- (viii) any material litigation, dispute, legal action or claim of any third party or regulatory, administrative investigation or action being threatened or instigated against any member of the Group or any executive Director or Controlling Shareholder;
- (ix) any order or petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group;
- (x) a prohibition on the Company for whatever reason from allotting or issuing the Offer Shares (including the Shares to be allotted and issued pursuant to the exercise of the Over-allotment Option and the Shares which may be granted under the Post-IPO RSU Scheme) pursuant to the terms of the Global Offering;
- (xi) non-compliance of this prospectus, the CSRC Filings (or any other documents used in connection with the contemplated subscription of the Offer Shares) or any aspect of the Global Offering with the Listing Rules, the CSRC Rules or any other applicable law;

## UNDERWRITING

- (xii) the Company withdraws this prospectus and/or any other documents issued or used in connection with the Global Offering);
  
- (xiii) approval by the Listing Committee for the listing of, and permission to deal in, the Shares to be issued or sold (including the Shares which may be granted under the Post-IPO RSU Scheme and issued pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of approval of the Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
  
- (xiv) the notice of acceptance of the CSRC Filings issued by the CSRC and/or the results of the CSRC Filings published on the website of the CSRC is rejected, withdrawn, revoked or invalidated;
  
- (xv) any person named as expert herein (other than the Sole Sponsor) has withdrawn or is subject to withdrawing its consent to the issue of this prospectus with the inclusion of its reports, letters and legal opinions (as the case may be) and references to its name included in the form and context in which it appears in this prospectus;
  
- (xvi) a significant portion of the orders placed or confirmed in the bookbuilding process at the time the International Underwriting Agreement is entered into, or the investment commitments by any corporate investors after signing of agreements with such corporate investors, have been withdrawn, terminated or canceled and such orders have not been recovered or replaced by other orders, which would render it, in the Overall Coordinators' reasonable opinion, commercially impracticable or incapable to proceed with the Global Offering; or
  
- (xvii) there is any change or any development or any prospective change or development that has or will or may have a material adverse effect.

### ***Undertakings by Our Company***

#### *Undertakings Pursuant to the Listing Rules*

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such 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:

- (a) in certain circumstances prescribed by Rule 10.08 of the Listing Rules; or
  
- (b) pursuant to the Global Offering (including the Over-allotment Option).

## UNDERWRITING

### *Undertakings Pursuant to the Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that, except for the Capitalization Issue, the offer or sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), and the grant of, and the issue of Shares pursuant to, any Shares which have been or may be granted under the Post-IPO RSU Scheme, during the period commencing from the date of the Hong Kong Underwriting Agreement and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), the Company will not, and will procure that each other member of our Group will not, without the prior written consent of the Sole Sponsor, the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing), or deposit any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, with a depositary in connection with the issue of depositary receipts, except where such transaction is made solely among members of the Group; or
- (ii) 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 (legal or beneficial) of any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company, as applicable, or any interest in any of the foregoing); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or
- (iv) offer to, contract to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above,



## UNDERWRITING

in each case, whether any of the transactions specified in (i), (ii), (iii) and/or (iv) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of shares or such other securities will be completed within the First Six-Month Period).

During the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), our Company shall not enter into any of the transactions specified in (i), (ii), (iii) and/or (iv) above such that the Controlling Shareholders, directly or indirectly, would cease to be a controlling shareholder (within the meaning defined in the Listing Rules) of the Company without first having obtained the prior written consent of the Overall Coordinators and unless in compliance with the requirements of the Listing Rules. In the event that during the Second Six-Month Period the Company enters into any of the transactions specified in (i), (ii), (iii) or (iv) above, the Company shall take all reasonable steps to ensure that such transaction will not create a disorderly or false market in the Shares or any other securities of the Company.

Each of the Company and the Controlling Shareholders agrees and undertakes that it will not and each of the Controlling Shareholders further undertakes to procure that the Company will not, effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below 25% (or such minimum public float requirements specified in Rule 8.08 of the Listing Rules) on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters).

### ***Undertaking by the Controlling Shareholders***

#### *Undertakings Pursuant to the Listing Rules*

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to our Company and to the Stock Exchange that, save as disclosed in this prospectus and except pursuant to the Global Offering (including pursuant to the Stock Borrowing Agreement), he/she/it will not, and shall procure that any other registered holder(s) (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares in respect of which he/she/it is shown in this prospectus to be the beneficial owner(s) (as defined in Rule 10.07(2) of the Listing Rules); and

## UNDERWRITING

- (b) in the period of six months commencing from the expiry of the period referred to in paragraph (i) above, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in the preceding paragraph to that extent, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or Encumbrances, he/she/it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company,

provided that the above shall not prevent the Controlling Shareholders from using securities of the Company beneficially owned by them as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the laws of Hong Kong)) for a bona fide commercial loan.

The Controlling Shareholders further undertake to the Company and the Stock Exchange that they will, within the period commencing from the date by reference to which disclosure for their shareholding in the Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform the Company and the Stock Exchange in writing of:

- (a) any pledge(s) or charge(s) of any Shares or securities of the Company beneficially owned by any of the Controlling Shareholders in favour of any authorised institution as permitted under the Listing Rules, and the number of such Shares or securities of the Company so pledged or charged; and
- (b) any indication(s) received by any of the Controlling Shareholders, either verbal or written, from any pledgee or chargee of any Shares or other securities of the Company pledged or charged that any of such Shares or other share capital will be sold, transferred or disposed of.

Our Company will also inform the Stock Exchange as soon as it has been informed of the above matters, if any, by the Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

### *Undertakings Pursuant to the Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has jointly and severally undertaken to each of the Company, the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that, save as pursuant to the Stock Borrowing Agreement, without the prior written consent of the Sole Sponsor, the Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) the Controlling Shareholders will not and, will procure that none of the relevant registered holder(s) will, at any time during the First Six-Month Period:

## UNDERWRITING

- (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, (other than any mortgage, pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) not involving a change of legal ownership of such Shares other than on enforcement) for a bona fide commercial loan in compliance with the Listing Rules), hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of the Company, as applicable), directly or indirectly held by it/him/her as at the Listing Date (the “**Locked-up Securities**”) or deposit any Locked-up Securities with a depository in connection with the issue of depository receipts;
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Locked-up Securities;
- (iii) enter into or effect any transaction with the same economic effect as any of the transactions specified in (i) or (ii) above; or
- (iv) offer to or contract to or agree to or announce any intention to enter into or effect any transaction specified in (i), (ii), and (iii) above,

in each case, whether any of the foregoing transactions specified in (i), (ii) or (iii) above is to be settled by delivery of the Shares or such other securities of our Company or in cash or otherwise (whether or not the transaction will be completed within the First Six-Month Period);

- (b) the Controlling Shareholders will not at any time during the Second Six-Month Period, enter into any of the transactions specified in paragraphs (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it/he/she will cease to be a Controlling Shareholder of the Company; and
- (c) until the expiry of the Second Six-Month Period, in the event that any of the Controlling Shareholders enters into any of the transactions specified in paragraphs (a)(i), (ii) or (iii) above or offers to, contracts to or agrees to or announces any intention to effect any such transaction, the Controlling Shareholders will take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares or any other securities of the Company. Without limiting the above, each of the Controlling Shareholders hereby further undertakes to the Company, the Sole

## UNDERWRITING

Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that, it/he/she will, at any time during the Second Six-Month Period:

- (i) if it/he/she or the relevant registered holder(s) intends to create in favour of any third party any pledge or charge over any Shares or securities or interests in the Shares or securities of the Company beneficially owned by it/him/her, immediately inform the Company, the Sole Sponsor and the Overall Coordinators in writing of such pledge or charge together with the number of Shares or securities so pledged or charged prior to entering into such agreement; and
- (ii) upon any indication received by it/him/her, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the securities of the Company will be sold, transferred or disposed of, immediately inform the Company, the Sole Sponsor and the Overall Coordinators in writing of such indications, and our Company shall, inform the Stock Exchange as soon as it has been informed of the matters above (if any) by the Controlling Shareholders and disclose such matters by way of a press announcement.

### **Commission and Expenses and Sole Sponsor's Fee**

Syndicate Capital Market Intermediaries involved in the Global Offering will receive an underwriting commission equal to 3% of the aggregate Offer Price in respect of all Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option) (the “**Fixed Fee**”). As no discretionary fee (the “**Incentive Fee**”) is to be paid to any of the syndicate Capital Market Intermediaries, the ratio of the Fixed Fee and the Incentive Fee is therefore 100:0.

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK\$4.6, the aggregate commissions and fees, together with the Stock Exchange listing fees, the Stock Exchange trading fee of 0.00565% per Share, SFC transaction levy of 0.0027% per Share, AFRC transaction levy of 0.00015% per Share, brokerage fee, legal and other professional fees and printing and other expenses relating to the Global Offering, are estimated to be approximately HK\$58.7 million, which is subject to adjustment to be agreed by the Company, the Selling Shareholder, the Overall Coordinators, the Joint Global Coordinators and other parties.

An aggregate amount of HK\$5,500,000 (excluding expenses) is payable by the Company as sponsor fees to the Sole Sponsor.

### **Hong Kong Underwriters' Interests in Our Company**

Save for the obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding or beneficial interests in any member 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 securities in any member of our Group.

## UNDERWRITING

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

### **The International Offering**

In connection with the International Offering, it is expected that we and the Selling Shareholder will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement and subject to the Over-allotment Option, it is expected that the International Underwriters would, subject to certain conditions set out therein, severally but not jointly, agree to procure purchasers for, or to purchase, the International Offering Shares being offered pursuant to the International Offering or procure purchasers for their respective applicable proportions of International Offering Shares. For details, please refer to the paragraph headed “Structure of the Global Offering — The International Offering” in this prospectus.

### ***Over-allotment Option and Stabilisation***

For details of the arrangements relating to the Over-allotment Option and stabilisation, please refer to the section headed “Structure of the Global Offering” in this prospectus.

### ***Restrictions on the Offer Shares***

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

## **INDEPENDENCE OF THE SOLE SPONSOR**

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rule.

## **ACTIVITIES BY SYNDICATE MEMBERS**

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering, together referred to as “Syndicate Members”, and their affiliates may each individually undertake a variety of activities (as further described below) which do not

## UNDERWRITING

form part of the underwriting or the stabilising process. When engaging in any of these activities, it should be noted that the Syndicate Members and their affiliates are subject to restrictions, including the following:

- (a) under the agreement among the Syndicate Members, all of them (except for the Stabilisation Manager or its designated affiliate as the Stabilisation Manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) all of them must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the accounts of others. In the ordinary course of their business activities, the Syndicate Members may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. These investment and trading activities may involve or relate to our assets, securities and/or instruments and/or persons and entities with relationships with us and may also include swaps and other financial instruments entered into for hedging purposes in connection with our loans and other debt.

In relation to our Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of our Shares (whose financing may be secured by our Shares) in the Global Offering, proprietary trading in our Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including our Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of our Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in our Shares in most cases.

## UNDERWRITING

All such activities may occur both during and after the end of the stabilising period. For details, please refer to the section headed “Structure of the Global Offering” in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in our Shares and the volatility of the price of our Shares, and the extent to which this occurs from day to day cannot be estimated.

## STRUCTURE OF THE GLOBAL OFFERING

### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (a) the Hong Kong Public Offering of initially 11,500,000 Offer Shares (subject to reallocation) (representing 10% of the initial total number of Offer Shares) in Hong Kong as described below. See “— The Hong Kong Public Offering”; and
- (b) the International Offering of initially 103,500,000 Offer Shares (initially comprising 73,500,000 New Shares and 30,000,000 Sale Shares, and subject to reallocation and the Over-allotment Option) (representing 90% of the initial total number of Offer Shares) outside the United States (including to professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for the Offer Shares within Hong Kong) in offshore transactions in reliance on Regulation S. For details, please refer to the paragraph headed “— The International Offering” of this section.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest in International Offer Shares under the International Offering, but may not do both.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

### THE HONG KONG PUBLIC OFFERING

#### Number of Offer Shares Initially Offered

We are initially offering 11,500,000 Hong Kong Offer Shares, representing 10% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price for subscription by the public in Hong Kong. Subject to the reallocation of Offer Shares between (i) the International Offering, and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent 2.5% of our Company’s enlarged issued share capital immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed “Structure of the Global Offering — Conditions of the Global Offering” of this section.



## STRUCTURE OF THE GLOBAL OFFERING

### Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of the Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of the Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) will be divided into two pools for allocation purposes, Pool A and Pool B with any odd board lots being allocated to Pool A:

Pool A: The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with a total subscription price of HK\$5 million (excluding the brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee payable) or less.

Pool B: The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with a total subscription price of more than HK\$5 million (excluding the brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee payable) and up to the total value of pool B.

For the purpose of this sub-section only, the “subscription price” for the Hong Kong Offer Shares means the price payable on application therefor.

Applicants should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the two pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of the Hong Kong Offer Shares from either pool A or pool B, but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 5,750,000 Hong Kong Offer Shares (being 50% of the 11,500,000 Offer Shares initially available under the Hong Kong Public Offering) will be rejected.

## STRUCTURE OF THE GLOBAL OFFERING

### Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment under the Listing Rules. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares to a certain percentage of the total number of Offer Shares offered under the Global Offering when certain prescribed total demand levels are reached under the Hong Kong Public Offering.

If the International Offering is fully subscribed or oversubscribed and the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of the reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 34,500,000 Offer Shares (30% in the case of (a)), 46,000,000 Offer Shares (40% in the case of (b)) and 57,500,000 Offer Shares (50% in the case of (c)) (of the total number of Offer Shares initially available under the Global Offering). In each case, the number of Offer Shares to be allocated to the International Offering will be correspondingly reduced and the additional Offer Shares will be allocated between Pool A and Pool B in such manner as the Overall Coordinators deems appropriate.

The Overall Coordinators may, at its discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B in accordance with Chapter 4.14 of the Guide for New Listing Applicants issued by the Hong Kong Stock Exchange as follows:

If (i) the International Offering Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offering Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are oversubscribed by less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, up to 11,500,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 23,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (the “**Allocation Cap**”).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters and the Capital Market Intermediaries) deem appropriate.

## **STRUCTURE OF THE GLOBAL OFFERING**

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters and the Capital Market Intermediaries). Subject to the foregoing paragraph, the Overall Coordinators and the Joint Global Coordinators may in their discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, in such proportions as the Overall Coordinators may, in its sole and absolute discretion, determine, subject to the requirements under Chapter 4.14 of the Guide for New Listing Applicants.

If the Hong Kong Public Offering is not fully subscribed, the Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters and the Capital Market Intermediaries) have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Overall Coordinators and the Joint Global Coordinators deem appropriate. In that case, the Allocation Cap will not be triggered.

### **Applications**

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the price of HK\$4.6 per Offer Share in addition to the brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee payable on each Offer Share. For further details, please refer to the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus.

## **THE INTERNATIONAL OFFERING**

### **Number of Offer Shares Offered**

Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering as described above, the number of Offer Shares to be initially offered under the International Offering will be 103,500,000 Offer Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering, comprising 73,500,000 New Shares offered by us and 30,000,000 Sale Shares offered by the Selling Shareholder (assuming that the Over-allotment option is not exercised).

## STRUCTURE OF THE GLOBAL OFFERING

### **Allocation**

Pursuant to the International Offering, the International Offer Shares will be conditionally placed on behalf of our Company by the International Underwriters or through selling agents appointed by them. International Offer Shares will be selectively placed to selected professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S.

Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the paragraph headed “Structure of the Global Offering — Pricing and Allocation” of this section below, determined by the Overall Coordinators and the Joint Global Coordinators and based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell its Shares, after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Offer 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 Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters and the Capital Market Intermediaries) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters and the Capital Market Intermediaries) so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Hong Kong Offer Shares under the Hong Kong Public Offering.

### **Reallocation**

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation” of this section above, the exercise of the Over-allotment Option in whole or in part described in the paragraph headed “Structure of the Global Offering — Over-allotment Option” of this section below, and any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering and/or any Offer Shares from the International Offering to the Hong Kong Public Offering at the discretion of the Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters and the Capital Market Intermediaries).

## **STRUCTURE OF THE GLOBAL OFFERING**

### **OVER-ALLOTMENT OPTION**

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters, which will be exercisable by the Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the International Underwriters and the Capital Market Intermediaries).

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the International Underwriters and the Capital Market Intermediaries) at any time from the Listing Date to the 30<sup>th</sup> day after the last day for lodging applications under the Hong Kong Public Offering, to require us to issue up to 17,250,000 additional Offer Shares, representing approximately 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering, to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional International Offer Shares to be issued pursuant thereto will represent approximately 3.8% of our Company's enlarged issued share capital immediately following the completion of the Global Offering and exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a public announcement will be made.

### **STABILISATION**

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to curb and, if possible, prevent any decline in the market price of the securities below the offer price. It may be effected in jurisdictions where it is permissible to do so and subject to all applicable laws and regulatory requirements. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

SPDB International Securities Limited has been appointed by us as the Stabilisation Manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO. In connection with the Global Offering, the Stabilisation Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilising transactions with a view to stabilising or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilisation Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilisation Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Offer Shares or purchasing Shares in the open market. In determining the source of the Offer Shares to close out the covered short position, the Stabilisation Manager will consider, among other things, the price of Offer Shares in the open market as compared to the price at which they may purchase additional Offer Shares pursuant to the Over-allotment Option. Stabilising

## STRUCTURE OF THE GLOBAL OFFERING

transactions consist of certain bids or purchases made for the purpose of preventing or curbing a decline in the market price of the Offer Shares while the Global Offering is in progress. Any market purchases of our Offer Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilisation Manager or any person acting for it to conduct any such stabilising action. Such stabilising activity, if commenced, will be done at the absolute discretion of the Stabilisation Manager or any person acting for it and may be discontinued at any time.

Any such stabilising activity is required to be brought to an end on the 30<sup>th</sup> day after the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Offer Shares that may be over-allocated will not exceed the number of the Shares that may be sold under the Over-allotment Option, namely, 17,250,000 Offer Shares, which is 15% of the number of Offer Shares initially available under the Global Offering, and cover such over-allocations by exercising the Over-allotment Option 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 Hong Kong, stabilising activities must be carried out in accordance with the Securities and Futures (Price Stabilising) Rules. Stabilising actions permitted pursuant to the Securities and Futures (Price Stabilising) Rules include:

- (a) over-allocating for the purpose of preventing or minimising any reduction in the market price of our Shares;
- (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares;
- (c) 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 (a) or (b) above;
- (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares
- (e) selling or agreeing to sell any of our Shares in order to liquidate any position established as a result of those purchases; and
- (f) offering or attempting to do anything as described in (b), (c), (d) or (e) above.

Stabilising actions by the Stabilisation Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation.

As a result of effecting transactions to stabilise or maintain the market price of the Shares, the Stabilisation Manager, or any person acting for it, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilisation Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilisation Manager, or any

## **STRUCTURE OF THE GLOBAL OFFERING**

person acting for it, and is uncertain. In the event that the Stabilisation Manager, or any person acting for it, liquidates this long position by making sales in the open market, this may have an adverse impact on the market price of the Shares.

Stabilising action by the Stabilisation Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilising period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the 30<sup>th</sup> day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilising period is expected to end on Thursday, 11 July 2024. As a result, demand for the Shares, and their market price, may fall after the end of the stabilising period. These activities by the Stabilisation Manager may stabilise, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market. Any stabilising action taken by the Stabilisation Manager, or any person acting for it, may not necessarily result in the market share of the Shares staying at or above the Offer Price either during or after the stabilising period. Bids for or market purchases of the Shares by the Stabilisation Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period.

### **STOCK BORROWING ARRANGEMENT**

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilisation Manager (or its affiliate(s)) may choose to borrow up to 17,250,000 Shares (being the maximum number of Shares which may be issued upon exercise of the Over-allotment Option) from Ru Yi IT pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set out in Rule 10.07(3) of the Listing Rules.

### **PRICING AND ALLOCATION**

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price will HK\$4.6 per Offer Share. The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per Offer Share under the International Offering.



## STRUCTURE OF THE GLOBAL OFFERING

### Price Payable on Application

Applicants under the Hong Kong Public Offering are required to pay, on application, the Offer Price of HK\$4.6 per Hong Kong Offer Share (plus 1% brokerage, 0.0027% SFC transaction levy, 0.00015% AFRC transaction levy and 0.00565% Stock Exchange trading fee).

### Reduction in Offer Price and/or Number of Offer Shares

The Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters and the Capital Market Intermediaries) may, with the consent of our Company and the Selling Shareholder, reduce the number of Offer Shares and/or the Offer Price below that is stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be posted on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of our Company at [www.cloudcsp.com](http://www.cloudcsp.com), notices of the reduction. Upon issue of such a notice, the revised number of Offer Shares and/or the Offer Price will be final and conclusive and the Offer Price, if agreed upon by the Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters and the Capital Market Intermediaries), the Selling Shareholder and our Company, will be fixed at such revised Offer Price. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus and any other financial information which may change materially as a result of such reduction. Our Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price. The Global Offering must first be cancelled and subsequently relaunched on FINI pursuant to the supplemental prospectus.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, will under no circumstances be set outside the offer price as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters and the Capital Market Intermediaries) may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised). The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares



## STRUCTURE OF THE GLOBAL OFFERING

to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters and the Capital Market Intermediaries).

### **Announcement of Basis of Allocations**

The level of indications of interest in the Global Offering, the results of allocations and the basis of allotment of the Hong Kong Offer Shares are expected to be announced on Thursday, 13 June 2024 on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of our Company at [www.cloudcsp.com](http://www.cloudcsp.com).

### **UNDERWRITING**

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement.

We expect to enter into the International Underwriting Agreement relating to the International Offering on or about Wednesday, 12 June 2024.

For details of these underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement, please refer to the section headed “Underwriting” in this prospectus.

### **CONDITIONS OF THE GLOBAL OFFERING**

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (b) the execution and delivery of the International Underwriting Agreement on or about 12 June 2024; and
- (c) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

## STRUCTURE OF THE GLOBAL OFFERING

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the websites of Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.cloudcsp.com](http://www.cloudcsp.com) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in paragraph headed “How to Apply for the Hong Kong Offer Shares — D. Despatch/Collection of Share Certificates and Refund of Application Monies” in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank(s) 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 will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the paragraph headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” in this prospectus has not been exercised.

### DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 14 June 2024 it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 14 June 2024. Our Shares will be traded in board lots of 1,000 Shares each.

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

### IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES

#### FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.

This prospectus is available at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the “HKEXnews > New Listings > New Listing Information” section, and our website at [www.cloudcsp.com](http://www.cloudcsp.com).

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

#### A. APPLICATION FOR HONG KONG OFFER SHARES

##### 1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older; and
- have a Hong Kong address (*for the White Form eIPO Service only*).

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to us, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or close associates; or
- are a Director or any of his/her close associates.

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

### 2. Application Channels

**The Hong Kong Public Offering period will begin at 9:00 am on Wednesday, 5 June 2024 and end at 12:00 noon on Tuesday, 11 June 2024 (Hong Kong time).**

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
White Form eIPO service	<a href="http://www.eipo.com.hk">www.eipo.com.hk</a> Enquiries: +852 2862 8555	Investors who would like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00am on Wednesday, 5 June 2024 to 11:30 a.m. on Tuesday, 11 June 2024, Hong Kong time.  The latest time for completing full payment of application monies will be 12:00 noon on Tuesday, 11 June 2024, Hong Kong time.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction	Investors who would not like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

The **White Form eIPO** service and the HKSCC EIPO channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **White Form eIPO** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If you apply through the **White Form eIPO** service, you are deemed to have authorized the **White Form eIPO** service provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through HKSCC EIPO channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

### 3. Information Required to Apply

You must provide the following information with your application:

<u>For Individual/Joint Applicants</u>	<u>For Corporate Applicants</u>
<ul style="list-style-type: none"><li>● Full name(s)<sup>2</sup> as shown on your identity document</li><li>● Identity document's issuing country or jurisdiction</li><li>● Identity document type, with order of priority:<ul style="list-style-type: none"><li>i. HKID card; or</li><li>ii. National identification document; or</li><li>iii. Passport; and</li></ul></li><li>● Identity document number</li></ul>	<ul style="list-style-type: none"><li>● Full name(s)<sup>2</sup> as shown on your identity document</li><li>● Identity document's issuing country or jurisdiction</li><li>● Identity document type, with order of priority:<ul style="list-style-type: none"><li>i. LEI registration document; or</li><li>ii. Certificate of incorporation; or</li><li>iii. Business registration certificate; or</li><li>iv. Other equivalent document; and</li></ul></li><li>● Identity document number</li></ul>

*Notes:*

1. If you are applying through the **White Form eIPO** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong Address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card.

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for Hong Kong Offer Shares. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.
3. If the applicant is a trustee, the client identification data ("CID") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.
4. The maximum number of joint account holders on FINI is capped at 4<sup>1</sup> in accordance with market practice.
5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) 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.
6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange or any other 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).

For those applying through HKSCC EIPO channel, and making an application under a power of attorney, we and the Overall Coordinators, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

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<sup>1</sup> Subject to change, if the Company's Articles of Incorporation and applicable company law prescribe a lower cap.

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

### 4. Permitted Number of Hong Kong Offer Shares for Application

**Board lot size** : 1,000 Shares

**Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment** : Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The Offer Price is HK\$4.6 per Share.

If you are applying through the HKSCC EIPO channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the Designated Bank for your broker or custodian.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

No. of Hong Kong Offer Shares applied for	Maximum Amount payable <sup>(2)</sup> on application/successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable <sup>(2)</sup> on application/successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable <sup>(2)</sup> on application/successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable <sup>(2)</sup> on application/successful allotment
	HK\$		HK\$		HK\$		HK\$
1,000	4,646.39	15,000	69,695.86	80,000	371,711.28	900,000	4,181,751.90
2,000	9,292.78	20,000	92,927.82	90,000	418,175.19	1,000,000	4,646,391.00
3,000	13,939.17	25,000	116,159.78	100,000	464,639.10	1,200,000	5,575,669.20
4,000	18,585.57	30,000	139,391.74	200,000	929,278.20	1,800,000	8,363,503.80
5,000	23,231.95	35,000	162,623.69	300,000	1,393,917.30	2,400,000	11,151,338.40
6,000	27,878.35	40,000	185,855.65	400,000	1,858,556.40	3,000,000	13,939,173.00
7,000	32,524.74	45,000	209,087.60	500,000	2,323,195.50	3,600,000	16,727,007.60
8,000	37,171.13	50,000	232,319.56	600,000	2,787,834.60	4,200,000	19,514,842.20
9,000	41,817.52	60,000	278,783.45	700,000	3,252,473.70	5,750,000 <sup>(1)</sup>	26,716,748.26
10,000	46,463.91	70,000	325,247.36	800,000	3,717,112.80		

- (1) Maximum number of Hong Kong Offer Shares you may apply for.
- (2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

### 5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed “— A. Applications for Hong Kong Offer Shares — 3. Information Required to Apply” in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **White Form eIPO** service, (ii) HKSCC EIPO channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **White Form eIPO** service or HKSCC EIPO channel, you or the person(s) for whose benefit you have made the application shall not apply for any Offer Shares.

### 6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **White Form eIPO** service or HKSCC EIPO channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

- (i) undertake to execute all relevant documents and instruct and authorise us and/or the Overall Coordinators, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of



## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Association, and (if you are applying through the HKSCC EIPO channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;

- (ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **White Form eIPO** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;
- (iii) (if you are applying through the HKSCC EIPO channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;
- (iv) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;
- (v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;
- (vi) agree that the Relevant Persons, the Hong Kong Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;
- (vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the Hong Kong Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed “— G. Personal Data — 3. Purposes and 4. Transfer of personal data” in this section;
- (viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;
- (ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

of the result of the ballot by the Hong Kong Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed “— B. Publication of Results” in this section;

- (x) confirm that you are aware of the situations specified in the paragraph headed “— C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares” in this section;
- (xi) agree that your application or HKSCC Nominees’ application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or 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;
- (xiii) confirm that (a) your application or HKSCC Nominees’ application on your behalf is not financed directly or indirectly by the Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;
- (xiv) warrant that the information you have provided is true and accurate;
- (xv) confirm that you understand that we and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (xvii) 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;

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the **White Form eIPO** service or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and (2) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

### B. PUBLICATION OF RESULTS

#### Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform	Date/Time	
Applying through <b>White Form eIPO</b> service or <b>HKSCC EIPO channel</b> :		
Website	<p>The designated results of allocation at <a href="http://www.iporesults.com.hk">www.iporesults.com.hk</a> (alternatively: English <a href="http://www.eipo.com.hk/eIPOAllotment">www.eipo.com.hk/eIPOAllotment</a>) with a “search by ID” function.</p> <p>The full list of (i) wholly or partially successful applicants using the <b>White Form eIPO</b> service and HKSCC EIPO channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed on the “Allotment Results” page of the White Form eIPO service at <a href="http://www.iporesults.com.hk">www.iporesults.com.hk</a> (alternatively: <a href="http://www.eipo.com.hk/eIPOAllotment">www.eipo.com.hk/eIPOAllotment</a>).</p>	<p>24 hours, from 11:00 p.m. Thursday, 13 June 2024 to 12:00 midnight on Wednesday, 19 June 2024 (Hong Kong time)</p>
	<p>The Stock Exchange’s website at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> and our website at <a href="http://www.cloudcsp.com">www.cloudcsp.com</a> which will provide links to the above mentioned websites of the Hong Kong Share Registrar.</p>	<p>No later than 11:00 p.m. on Thursday, 13 June 2024 (Hong Kong time).</p>
Telephone	<p>+852 2862 8555 — the allocation results telephone enquiry line provided by the Hong Kong Share Registrar</p>	<p>between 9:00 a.m. and 6:00 p.m., from Friday, 14 June 2024 to Wednesday, 19 June 2024 (Hong Kong time) on a business day</p>

For those applying through HKSCC EIPO channel, you may also check with your broker or custodian from 6:00 p.m. on Wednesday, 12 June 2024 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Wednesday, 12 June 2024 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

### Allocation Announcement

We expect to announce the level of indications of interest in the Global Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.cloudsp.com](http://www.cloudsp.com) by no later than 11:00 p.m. on Thursday, 13 June 2024 (Hong Kong time).

### C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

#### 1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

#### 2. If we or our agents exercise our discretion to reject your application:

We, the Overall Coordinators, the Hong Kong Share Registrar 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.

#### 3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if 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 Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

#### 4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed “— A. Applications for Hong Kong Offer Shares — 5. Multiple Applications Prohibited” in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Overall Coordinators believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

### **5. If there is money settlement failure for allotted Shares:**

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their Designated Bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their Designated Bank.

**There is a risk of money settlement failure.** In the extreme event of money settlement failure by a HKSCC Participant (or its Designated Bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its Designated Bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the Hong Kong Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

### **D. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES**

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the HKSCC EIPO channel where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Share certificates will only become valid at 8:00 a.m. on Friday, 14 June 2024 (Hong Kong time), provided that the Global Offer has become unconditional and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

The right is reserved to retain any Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

The following sets out the relevant procedures and time:

	<b>White Form eIPO service</b>	<b>HKSCC EIPO channel</b>
<b>Despatch/collection of Share certificate<sup>2</sup></b>		
<b>For physical share certificates of 1,000,000 or more Offer Shares issued under your own name</b>	<p>Collection in person at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong</p> <p><b>Time:</b> from 9:00 a.m. to 1:00 p.m. on Friday, 14 June 2024 (Hong Kong time)</p> <p>If you are an individual, you must not authorise any other person to collect for you. If you are a corporate applicant, your authorised representative must bear a letter of authorization from your corporation stamped with your corporation’s chop.</p> <p>Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.</p> <p><b>Note:</b> If you do not collect your Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk</p>	<p>Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant’s stock account</p> <p>No action by you is required</p>

<sup>2</sup> Except in the event of a tropical cyclone warning signal number 8 or above, a black rainstorm warning and/or an “extreme conditions” announcement issued after a super typhoon in force in Hong Kong in the morning on Thursday, 13 June 2024 rendering it impossible for the relevant share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the Hong Kong Share Registrar to arrange for delivery of the supporting documents and share certificates in accordance with the contingency arrangements as agreed between them. You may refer to the paragraph headed “— E. Severe Weather Arrangements” in this section.

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

	<b>White Form eIPO service</b>	<b>HKSCC EIPO channel</b>
<b>For physical share certificates of less than 1,000,000 Offer Shares issued under your own name</b>	Your Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk  Time: Thursday, 13 June 2024	
<b>Refund mechanism for surplus application monies paid by you</b>		
<b>Date</b>	Friday, 14 June 2024	Subject to the arrangement between you and your broker or custodian
<b>Responsible party</b>	Hong Kong Share Registrar	Your broker or custodian
<b>Application monies paid through single bank account</b>	White Form e-Refund payment instructions to your designated bank account	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it
<b>Application monies paid through multiple bank accounts</b>	Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk	

### **E. SEVERE WEATHER ARRANGEMENTS**

#### **The Opening and Closing of the Application Lists**

The application lists will not open or close on Tuesday, 11 June 2024 if, there is/are:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- Extreme Conditions (collectively, “**Severe Weather Signals**”),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 11 June 2024.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have **Severe Weather Signals** in force at any time between 9:00 a.m. and 12:00 noon.

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made and published on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.cloudcsp.com](http://www.cloudcsp.com) of the revised timetable.

If a **Severe** Weather Signal is hoisted on Thursday, 13 June 2024, the Hong Kong Share Registrar will make appropriate arrangements for the delivery of the share certificates to the CCASS Depository’s service counter so that they would be available for trading on Friday, 14 June 2024.

If a **Severe** Weather Signal is hoisted on Friday, 14 June 2024:

- for physical share certificates of 1,000,000 or more Offer Shares issued under your own name, you may pick them up from the Hong Kong Share Registrar’s office after the **Severe** Weather Signal is lowered or cancelled (e.g. in the afternoon of Friday, 14 June 2024 or on Monday, 17 June 2024).

If a **Severe** Weather Signal is hoisted on Thursday, 13 June 2024:

- for physical share certificates of less than 1,000,000 Offer Shares issued under your own name, despatch will be made by ordinary post when the post office re-opens after the **Severe** Weather Signal is lowered or cancelled (e.g. in the afternoon of Thursday, 13 June 2024 or on Friday, 14 June 2024).

**Prospective investors should be aware that if they choose to receive physical share certificates issued in their own name, there may be a delay in receiving the share certificates.**

### F. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange 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 is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.



## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

### G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

#### 1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of the Company and the Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

#### 2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to the Company or its agents and the Hong Kong Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of the Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform the Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

### 3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and White Form e-Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of the Company;
- verifying identities of applicants for and holders of the Shares and identifying any duplicate applications for the Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Share Registrar to discharge their obligations to applicants and holders of the Shares and/or regulators and/or any other purposes to which applicants and holders of the Shares may from time to time agree.

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

### **4. Transfer of personal data**

Personal data held by the Company and the Hong Kong Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but the Company and the Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bank and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the Hong Kong Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

### **5. Retention of personal data**

The Company and the Hong Kong Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

### **6. Access to and correction of personal data**

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether the Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the Hong Kong Share Registrar, at their registered address disclosed in the section headed “Corporate information” in this prospectus or as notified from time to time, for the attention of the company secretary, or the Hong Kong Share Registrar for the attention of the privacy compliance officer.

**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CLOUD FACTORY TECHNOLOGY HOLDINGS LIMITED AND SPDB INTERNATIONAL CAPITAL LIMITED****INTRODUCTION**

We report on the historical financial information of Cloud Factory Technology Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-3 to I-57, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2021, 2022 and 2023 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2021, 2022 and 2023, and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-3 to I-57 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 5 June 2024 (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 and the Company as at 31 December 2021, 2022 and 2023, and of the financial performance and cash flows of the Group for each of the Relevant Periods 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-3 have been made.

#### *Dividends*

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

#### *No historical 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.

### **Ernst & Young**

*Certified Public Accountants*

Hong Kong  
5 June 2024

**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 Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Notes	Year ended 31 December		
		2021 (RMB'000)	2022 (RMB'000)	2023 (RMB'000)
<b>REVENUE</b>	6	464,276	548,753	695,949
Cost of sales		<u>(407,840)</u>	<u>(479,810)</u>	<u>(608,308)</u>
Gross profit		56,436	68,943	87,641
Other income and gains	6	3,476	476	1,318
Selling and distribution expenses		(3,567)	(5,087)	(8,145)
Administrative expenses		(22,229)	(29,880)	(35,681)
Research and development expenses		(17,024)	(23,574)	(22,231)
Impairment losses on financial assets		114	(465)	(4,155)
Other expenses		(183)	(388)	(89)
Finance costs	8	<u>(2,290)</u>	<u>(2,362)</u>	<u>(3,987)</u>
<b>PROFIT BEFORE TAX</b>	7	14,733	7,663	14,671
Income tax expense	11	<u>(2,048)</u>	<u>371</u>	<u>(447)</u>
<b>PROFIT FOR THE YEAR</b>		<u>12,685</u>	<u>8,034</u>	<u>14,224</u>
<b>Attributable to:</b>				
Owners of the parent		12,685	8,034	13,923
Non-controlling interests		<u>—</u>	<u>—</u>	<u>301</u>
		<u>12,685</u>	<u>8,034</u>	<u>14,224</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>12,685</u>	<u>8,034</u>	<u>14,224</u>
<b>Attributable to:</b>				
Owners of the parent		12,685	8,034	13,923
Non-controlling interests		<u>—</u>	<u>—</u>	<u>301</u>
		<u>12,685</u>	<u>8,034</u>	<u>14,224</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>				
Basic and diluted (RMB)				
— For profit for the year	13	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>



## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December		
		2021	2022	2023
		(RMB'000)	(RMB'000)	(RMB'000)
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	14	12,508	14,234	21,453
Right-of-use assets	15	184	215	1,408
Other intangible assets	16	32	308	166
Deferred tax assets	17	632	1,167	1,938
Other non-current assets	18	—	—	78,846
Total non-current assets		<u>13,356</u>	<u>15,924</u>	<u>103,811</u>
<b>CURRENT ASSETS</b>				
Trade receivables	19	97,581	115,066	197,627
Prepayments, other receivables and other assets	20	10,321	19,777	37,962
Tax recoverable		440	273	—
Amounts due from related parties	31	84,231	84,251	—
Cash and cash equivalents	21	<u>47,006</u>	<u>77,986</u>	<u>162,341</u>
Total current assets		<u>239,579</u>	<u>297,353</u>	<u>397,930</u>
<b>CURRENT LIABILITIES</b>				
Trade payables	22	151,931	171,303	244,135
Other payables and accruals	23	15,344	24,921	31,481
Contract liabilities	24	133	1,849	76
Interest-bearing bank borrowings	25	42,083	67,013	166,734
Lease liabilities	15	—	192	595
Tax payable		<u>5,801</u>	<u>2,322</u>	<u>3,155</u>
Total current liabilities		<u>215,292</u>	<u>267,600</u>	<u>446,176</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>24,287</u>	<u>29,753</u>	<u>(48,246)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>37,643</u>	<u>45,677</u>	<u>55,565</u>
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities	15	—	—	664
Total non-current liabilities		—	—	664
<b>Net assets</b>		<u><u>37,643</u></u>	<u><u>45,677</u></u>	<u><u>54,901</u></u>

		<u>As at 31 December</u>		
		<u>2021</u>	<u>2022</u>	<u>2023</u>
		<u>(RMB'000)</u>	<u>(RMB'000)</u>	<u>(RMB'000)</u>
	<i>Notes</i>			
<b>EQUITY</b>				
<b>Equity attributable to owners of the parent</b>				
Share capital	26	—	—	—
Reserves	27	<u>37,643</u>	<u>45,677</u>	<u>54,138</u>
		<u>37,643</u>	<u>45,677</u>	<u>54,138</u>
Non-controlling interests		<u>—</u>	<u>—</u>	<u>763</u>
<b>Total equity</b>		<u><u>37,643</u></u>	<u><u>45,677</u></u>	<u><u>54,901</u></u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent				Total	Non-controlling interests	Total Equity
	Share capital	Merger reserve	Statutory surplus reserve	Retained profits			
	(RMB'000) (note 26)	(RMB'000) (note 27)	(RMB'000) (note 27)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
<b>As at 1 January 2021</b>	—	9,000	4,988	12,970	26,958	—	26,958
Total comprehensive income for the year	—	—	—	12,685	12,685	—	12,685
Appropriations to statutory surplus reserve	—	—	1,256	(1,256)	—	—	—
Dividends paid to the then shareholders ( <i>Note 12</i> )	—	—	—	(2,000)	(2,000)	—	(2,000)
<b>As at 31 December 2021 and 1 January 2022</b>	<u>—</u>	<u>9,000</u>	<u>6,244</u>	<u>22,399</u>	<u>37,643</u>	<u>—</u>	<u>37,643</u>
Total comprehensive income for the year	—	—	—	8,034	8,034	—	8,034
Appropriations to statutory surplus reserve	—	—	1,039	(1,039)	—	—	—
<b>As at 31 December 2022 and 1 January 2023</b>	<u>—</u>	<u>9,000</u>	<u>7,283</u>	<u>29,394</u>	<u>45,677</u>	<u>—</u>	<u>45,677</u>
Total comprehensive income for the period	—	—	—	13,923	13,923	301	14,224
Capital contribution from the equity holder of subsidiaries ( <i>Note 27</i> )	—	24,538	—	—	24,538	462	25,000
Appropriations to statutory surplus reserve	—	—	1,756	(1,756)	—	—	—
Dividends paid to the then shareholders ( <i>Note 12</i> )	—	—	—	(30,000)	(30,000)	—	(30,000)
<b>As at 31 December 2023</b>	<u>—</u>	<u>33,538</u>	<u>9,039</u>	<u>11,561</u>	<u>54,138</u>	<u>763</u>	<u>54,901</u>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2021	2022	2023
Notes	(RMB'000)	(RMB'000)	(RMB'000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax	14,733	7,663	14,671
Adjustments for:			
Depreciation of items of property, plant and equipment	14 965	1,703	2,876
Depreciation of right-of-use assets	15 403	177	557
Amortisation of intangible assets	16 13	78	203
Impairment losses on trade receivables and financial assets	(114)	465	4,155
Finance costs	8 2,290	2,362	3,987
Finance and investment income	6 (44)	(91)	(214)
Loss/(gain) on disposal of items of property, plant and equipment	57	(168)	(38)
Gain on disposal of items of right-of-use assets	—	(48)	(6)
	18,303	12,141	26,191
Increase in trade receivables	(15,805)	(17,969)	(83,682)
(Increase)/decrease in prepayments, other receivables and other assets	(4,817)	(7,881)	10,725
Increase in trade payables	71,643	19,372	72,832
(Decrease)/increase in contract liabilities	(2,079)	1,716	(1,773)
Increase in other payables and accruals	2,220	12,563	9,520
Cash generated from operations	69,465	19,942	33,813
Interest received	39	88	214
Tax paid	(1,225)	(3,476)	(112)
Net cash flows from operating activities	68,279	16,554	33,915
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment	(5,677)	(8,269)	(12,706)
Additions to other intangible assets	(31)	(234)	(181)
Investment income from financial products	5	3	—
Advances to third parties	—	—	(10,400)
Repayment of advances to third parties	290	—	—
Addition of long term receivables	—	—	(192,699)
Repayment of long term receivables	—	—	94,550
Disposal of property, plant and equipment	63	1,111	114
Net cash flows used in investing activities	(5,350)	(7,389)	(121,322)

		Year ended 31 December		
		2021	2022	2023
<i>Notes</i>		(RMB'000)	(RMB'000)	(RMB'000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
	Capital contribution from the equity holder of subsidiaries	—	—	25,000
	New bank loans	62,000	99,000	263,000
	Repayment of bank loans	(67,489)	(74,000)	(163,000)
	Interest paid	(2,239)	(2,419)	(4,216)
	Dividends paid to the then shareholders	(2,000)	—	(30,000)
	Payment of lease liabilities	(646)	(190)	(727)
	Payment of listing expense	(2,379)	(556)	(2,546)
	Repayment of advances from third parties	(2,000)	—	—
	Advances from controlling shareholder	31 22,166	—	—
	Repayment from controlling shareholder	31 —	—	84,251
	Advances to controlling shareholder	31 (21,986)	(20)	—
	Advances from other related parties	31 —	1,500	—
	Repayment of advances from other related parties	31 (2,247)	(1,500)	—
	Net cash flows (used in)/from financing activities	(16,820)	21,815	171,762
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>				
	Cash and cash equivalents at beginning of year	46,109	30,980	84,355
		897	47,006	77,986
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
		47,006	77,986	162,341
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>				
	Cash and cash equivalents as stated in the statements of cash flows	47,006	77,986	162,341

## STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December		
		2021 (RMB)	2022 (RMB)	2023 (RMB)
<b>NON-CURRENT ASSETS</b>				
Investments in subsidiaries	1	—	636	636
Total non-current assets		—	636	636
<b>CURRENT ASSETS</b>				
Amounts due from related parties	31	64	—	—
Total current assets		64	—	—
<b>CURRENT LIABILITIES</b>				
Amounts due to related parties	31	—	627	636
Total current liabilities		—	627	636
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		64	(627)	(636)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>				
<b>Net assets</b>		64	9	—
<b>EQUITY</b>				
Share capital	26	64	64	64
Reserves		—	(55)	(64)
<b>Total equity</b>		64	9	—

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 10 December 2021. The registered office of the Company is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands.

During the Relevant Periods, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the provision of Internet Data Centre (IDC) solution services, edge computing services, and Information Communications Technology (ICT) services and other services in the People’s Republic of China.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed “Reorganisation” in the section headed “History and Reorganisation — Reorganisation” in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, the particulars of which are set out below:

Name	Notes	Place and date of incorporation/registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Cloud Factory (BVI) Limited	(b)	British Virgin Islands 10 January 2022	US\$100	100%	—	Investment holding
雲工場香港有限公司 Cloud Factory Hong Kong Limited	(b)	Hong Kong 19 January 2022	HK\$10,000	—	100%	Investment holding
無錫靈境雲信息技術有限公司 Wuxi Lingjing Cloud Information Technology Co., Ltd.	(b)	PRC/Chinese Mainland 17 May 2022	RMB8,000,000	—	98.61%	Provision of technical support and consultation in relation to the Contractual Arrangements
江蘇雲工場信息技術有限公司 Jiangsu Cloud Factory Information Technology Co., Ltd.	(a)	PRC/ Chinese Mainland 11 December 2015	RMB20,000,000	—	100%	Provision of IDC Solution Services, Edge Computing Service and ICT Services and Other Services
江蘇意如信息科技有限公司 Jiangsu Yiru Information Technology Co., Ltd.	(a)	PRC/ Chinese Mainland 29 October 2013	RMB10,000,000	—	100%	Provision of IDC Solution Services, Edge Computing Service and ICT Services and Other Services
青島雲睿天信息技術有限公司 Qingdao Yunruitian Technology Co., Ltd.	(b)	PRC/ Chinese Mainland 29 January 2016	RMB10,000,000	—	100%	Provision of IDC Solution Services

Name	Notes	Place and date of incorporation/registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
山東典雅信息技術有限公司 Shandong Dianya Information Technology Co., Ltd.	(b)	PRC/ Chinese Mainland 20 July 2018	RMB10,000,000	—	100%	Provision of IDC Solution Services, Edge Computing Service and ICT Services and Other Services
無錫市顯凱信息技術有限公司 Wuxi Xiankai Information Technology Co., Ltd.	(b)	PRC/ Chinese Mainland 22 May 2020	RMB5,242,272	—	100%	Provision of ICT services and other services
上海驍江信息技術有限公司 Shanghai Xiaojiang Information Technology Co., Ltd.	(b)	PRC/ Chinese Mainland 26 April 2021	RMB10,000,000	—	100%	Provision of ICT services and other services

The English names of these subsidiaries registered in the PRC represent the best efforts made by management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

Notes:

- (a) The statutory financial statements of these entities for the years ended 31 December 2021 and 2022 prepared in accordance with generally accepted accounting principles in the PRC (PRC GAAP) and regulations were audited by Wuxi Tai' Hu Certified Public Accountants (無錫太湖會計師事務所有限責任公司), a certified public accounting firm registered in the PRC. Up to the date of this report, the statutory financial statements of these entities for the year ended 31 December 2023 have not yet to be issued.
- (b) No audited financial statements have been prepared and issued for these entities since the date of their respective 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 commenced business.

The investments in subsidiaries in the Company's statements of financial position represent:

	As at 31 December		
	2021 (RMB)	2022 (RMB)	2023 (RMB)
Unlisted investments, at cost	—	636	636



## 2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed “Reorganisation” in the section headed “History and Reorganisation” in the Prospectus, the Company became the holding company of the companies now comprising the Group on 28 March 2023. The companies now comprising the Group has been under the common control of the controlling shareholder before and after the Group 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 Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholder, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2021, 2022 and 2023 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholder’s perspective. No adjustments are made to reflect fair value, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and businesses held by parties other than the controlling shareholders, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

### Going concern basis

As at 31 December 2023, the Group had net current liabilities of approximately RMB48.2 million. The Group assesses its ability to continue as a going concern by evaluating cashflow projection for next twelve months. The directors of the Company have reviewed the Group’s cash flow forecast, which covers a period of twelve months from 31 December 2023. After taking into account the Group’s operating needs, capital expenditure and financing activities in the foreseeable future, the directors of the Company are of the opinion that the Group will have sufficient net cash inflows to meet its financial liabilities and obligations when they fall due and to sustain its operations for the next twelve months from 31 December 2023. Accordingly, the directors of the Company concluded that it is appropriate to prepare the Historical Financial Information on a going concern basis.

## 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 (the “IASB”). All IFRSs effective for the accounting period commencing from 1 January 2023, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information consistently throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value.

### 2.3 ISSUED BUT NOT YET EFFECTIVE IFRS

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.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i> <sup>1</sup>
Amendments to IAS 28 and IFRS 10	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>2</sup>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i> <sup>1, 3</sup>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i> <sup>1, 3</sup>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i> <sup>1</sup>
Amendments to IAS 21	<i>Lack of Exchangeability</i> <sup>4</sup>
Publication of IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> No mandatory effective date yet determined but available for adoption

<sup>3</sup> As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2027

The Group is in the process of making an assessment of the impact of these new or revised IFRSs upon initial application. So far, except for IFRS 18, the Group considers that these standards will not have a significant impact on the Group's financial performance and financial position. The group is evaluating the impact of Publication of IFRS 18.

### 3. MATERIAL ACCOUNTING POLICY INFORMATION

#### Fair Value Measurement

The Group measures certain financial instruments at fair value through profit or loss at the end of each reporting period. 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 financial statements 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 financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### **Impairment of Non-financial Assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), 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.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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	5%–19%
Leasehold improvements	33%
Electronic equipment	19%–32%
Furniture and fixtures	19%
Motor vehicles	24%

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 the depreciation method 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 is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

**Intangible Assets (other than Goodwill)**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

**Software**

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 2 years.

**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.

**Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**Group as a lessee**

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

**(a) Right-of-use assets**

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises	24–37 months
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *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 its incremental borrowing rate at the lease commencement date because 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 the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

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 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 recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held

within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

#### ***Subsequent measurement***

The subsequent measurement of financial assets depends on their classification as follows:

##### *Financial assets at amortised cost (debt instruments)*

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.

##### *Financial assets at fair value through profit and loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

#### **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 that there has been a significant increase in credit risk when contractual payments are more than 60 days past due.

The Group considers a financial asset in default when contractual payments are 120 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 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 considered estimated loss rate based on historical observable default rates and study of each specific customer's default and recovery data from external credit-rating agency, adjusted for forward-looking factors specific to the debtors and the economic environment.

**Financial Liabilities*****Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as payables, or loans and borrowings, 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, an amount due to related parties and interest-bearing bank borrowings.

#### ***Subsequent measurement***

The subsequent measurement of financial liabilities depends on their classification as follows:

##### *Financial liabilities at amortised cost (payables, loans and borrowings)*

After initial recognition, payables, 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.

#### **Cash and Cash Equivalents**

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flow, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

#### **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 Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting 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.

**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 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 does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, 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 does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, 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.

**Government Grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

**Revenue Recognition*****Revenue from contracts with customers***

The Group is engaged in the business of providing IDC solution services, edge computing services and ICT services and other services.

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

***Provision of IDC solution services***

Revenue from the provision of IDC solution services is recognised over the scheduled period because the customer simultaneously receives and consumes the benefits provided by the Group. For contracts where considerations are fixed, the related revenues are recognised on a straight-line basis based on the contract price. For contracts where considerations are based on the usage of the IDC solution services, the related revenues are recognised based on the consumption of high-speed internet access bandwidth resources at the predetermined rate when the services are rendered throughout the contact term.

***Provision of edge computing services***

Edge computing services include content delivery network services and other edge functionality which has been traditionally delivered by hardware-centric appliances. The nature of the performance obligation is a single performance obligation to be ready to provide integrated services throughout the contract period. Revenue from the provision of edge computing services is recognised over the scheduled period because the customer simultaneously receives and consumes the benefits provided by the Group. For contracts where considerations are fixed, the related revenues are recognised on a straight-line basis based on the contract price which is fixed. For contracts where considerations are based on the usage of the edge computing services, the related revenues are recognised based on the consumption of high-speed internet access bandwidth resources at the predetermined rate as the services are rendered throughout the contact term.

***Provision of ICT services and other services***

Revenue from ICT services is primarily generated through the provision of customer-fit information communications technology solution to our clients, system development and maintenance, consultation services and provision of cloud computing hardware resources. And revenue from other services is primarily generated through the provision of network acceleration service, text messaging service, call service and WeChat corporate mini-application development service to our enterprise clients. Revenue is recognised at a point in time when the control of the customer-fit product is transferred to the customer or the service is accepted by the customer.

***Other income***

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument of the net carrying amount of the financial asset.

**Contract Liabilities**

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

**Employee Benefits*****Pension scheme***

The employees of the Group's subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

**Borrowing Cost**

All 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**

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed dividends are disclosed in the Note 12 to the Historical Financial Information.

**Foreign Currencies**

The Historical Financial Information is presented in RMB, which is the Company's functional currency. 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 each 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.

#### 4. MATERIAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. 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.

##### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

##### *Principal or agent when recognising revenue*

Determining whether revenue of the Group should be reported "gross" or "net" is based on a continuing assessment of various factors. When determining whether the Group is acting as the principal or agent in offering goods or services to the customer, the Group needs to first identify who controls the specified goods or services before they are transferred to the customer. The Group is a principal and records revenue on a gross basis if the Group obtains control of any one of the following: (i) a good or another asset from the other party that it then transfers to the customer; (ii) a right to a service to be performed by the other party, which gives the entity the ability to direct that party to provide the service to the customer on the entity's behalf; or (iii) a good or service from the other party that it then combines with other goods or services in providing the specified good or service to the customer. Otherwise, the Group records revenue at the net amounts as commissions.

The Group concludes that it usually acts as a principal in providing IDC services, edge computing services, and ICT services as (i) the Group is primarily responsible for the fulfilment of the customers' contracts by ensuring the stability and quality of services; (ii) the Group combines the good or service from the other party with other goods or services in providing the specified good or service to the customer; (iii) the Group sets up service prices independently. The Group also acts as an agent under certain IDC services, ICT services and other services contracts when the group does not have control over these services and products.

##### Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

*Provision for expected credit losses on trade receivables*

The Group uses individual assessment and estimated loss rate to calculate ECLs for trade receivables. The individual assessment is based on customers with known financial difficulties or significant doubt on collection. The estimated loss rate is initially based on historical observable default rates over expected life of the debts and study of each specific customer's default and recovery data from external credit-rating agency, and is adjusted for forward-looking information (for example, the current and forecasted economic growth rates in the PRC, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. For instance, if forecast economic conditions (i.e., gross domestic product and consumer price index) are expected to deteriorate over the next year leading to an increased number of defaults in the TMT 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, study of other corporates' default and recovery data, 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 a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the financial statements.

*Useful lives and residual values of property, plant and equipment*

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way.

*Deferred tax assets*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets relating to recognised tax losses as at 31 December 2021, 2022 and 2023 were RMB177,000, RMB406,000 and nil respectively. The amounts of deferred tax assets in respect of tax losses not recognised were RMB7,000, RMB65,000 and RMB94,000 respectively. Further details are contained in note 17 to the Historical Financial Information.

**5. OPERATING SEGMENT INFORMATION**

The Group is principally a provider of IDC solution services, edge computing services, and ICT solution services and other services in Chinese Mainland.

Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment. Since this is the only reportable operating segment of the Group, no further operating segment analysis is presented.

**Geographical Information**

During the Relevant Periods, all of the Group's revenue was derived from customers located in Chinese Mainland and all of the Group's non-current assets were located in Chinese Mainland, and therefore no further geographical segment information is presented in accordance with IFRS 8 Operating Segments.

**Information about Major Customers**

Revenue from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for each of the Relevant Periods is as follows: (\* Less than 10% of the Group's revenue)

	<u>Year ended 31 December</u>		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<u>(RMB'000)</u>	<u>(RMB'000)</u>	<u>(RMB'000)</u>
Customer B	133,409	112,615	108,431
Customer F	56,859	N/A*	N/A*
Customer H	77,640	59,306	N/A*
Customer J	N/A*	99,881	145,722
Customer K	N/A*	82,347	107,414
Customer I	N/A*	71,243	N/A*
	<u>267,908</u>	<u>425,392</u>	<u>361,567</u>

**6. REVENUE, OTHER INCOME AND GAINS**

An analysis of revenue is as follows:

	<u>Year ended 31 December</u>		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<u>(RMB'000)</u>	<u>(RMB'000)</u>	<u>(RMB'000)</u>
Revenue from contracts with customers	<u>464,276</u>	<u>548,753</u>	<u>695,949</u>

**Revenue from contracts with customers****(a) Disaggregated revenue information**

	<u>Year ended 31 December</u>		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<u>(RMB'000)</u>	<u>(RMB'000)</u>	<u>(RMB'000)</u>
<b>Types of goods or services</b>			
IDC services	437,232	538,662	673,752
Edge computing services	—	5,202	18,064
ICT services and other services	<u>27,044</u>	<u>4,889</u>	<u>4,133</u>
Total revenue from contracts with customers	<u>464,276</u>	<u>548,753</u>	<u>695,949</u>
<b>Geographical market</b>			
Chinese Mainland	<u>464,276</u>	<u>548,753</u>	<u>695,949</u>
<b>Timing of revenue recognition</b>			
Services transferred over time	437,232	543,864	691,816
Services transferred at a point in time	<u>27,044</u>	<u>4,889</u>	<u>4,133</u>
	<u>464,276</u>	<u>548,753</u>	<u>695,949</u>

The following table shows the amounts of revenue recognised in each of the Relevant Periods that were included in the contract liabilities at the beginning of each of the Relevant Periods.

	<u>Year ended 31 December</u>		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<u>(RMB'000)</u>	<u>(RMB'000)</u>	<u>(RMB'000)</u>
Revenue recognised that was included in contract liabilities at the beginning of the reporting year			
IDC services	769	133	1,849
Edge computing services	—	—	—
ICT services and other services	<u>1,443</u>	<u>—</u>	<u>—</u>
	<u>2,212</u>	<u>133</u>	<u>1,849</u>

**(b) Performance obligations**

Information about the Group's performance obligations is summarised below:

*Provision of IDC solution services and edge computing services*

For the provision of IDC solution services and edge computing services, the performance obligation is satisfied over time when the services are rendered. The payment is generally due within 10 to 60 days after receipt of invoice.

*Provision of ICT services and other services*

For the provision of ICT services and other services, revenue is recognised at a point in time. The performance obligation is satisfied upon acceptance of services by the customers. The timing of payment varies from contract to contract usually within 180 days after receipt of invoice.

All provisions of services are satisfied within one year or less.

**Other Income and Gains**

	<u>Year ended 31 December</u>		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<u>(RMB'000)</u>	<u>(RMB'000)</u>	<u>(RMB'000)</u>
Government grants	3,427	169	1,060
Bank interest and investment income	44	91	214
Gain on disposal of items of property, plant and equipment	—	168	38
Gain on disposal of items of right-of-use assets	—	48	6
Others	<u>5</u>	<u>—</u>	<u>—</u>
	<u>3,476</u>	<u>476</u>	<u>1,318</u>



**7. PROFIT BEFORE TAX**

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December		
		2021	2022	2023
		(RMB'000)	(RMB'000)	(RMB'000)
Cost of services provided*		407,840	479,810	608,308
Depreciation of property, plant and equipment	14	965	1,703	2,876
Depreciation of right-of-use assets	15	403	177	557
Amortisation of intangible assets	16	13	78	203
Expense relating to short-term leases	15	96	263	211
Auditor's remuneration		109	238	238
Bank interest and investment income	6	(44)	(91)	(214)
Gain/(loss) on disposal of items of property, plant and equipment		57	(168)	(38)
Gain on disposal of items of right-of-use assets	6	—	(48)	(6)
Impairment losses (reversed)/recognised for financial assets	18/19/20	(114)	465	4,155
Listing expense		8,244	5,583	9,376
Employee benefit expense (including directors' and chief executive's remuneration in note 9):				
— Wages and salaries		9,590	20,342	22,644
— Pension scheme contributions and social welfare		1,322	2,539	2,992

\* certain depreciation of property, plant and equipment included

**8. FINANCE COSTS**

An analysis of finance costs is as follows:

	Year ended 31 December		
	2021	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)
Interest on loans and borrowings	2,262	2,349	3,937
Interest on lease liabilities	28	13	50
	<u>2,290</u>	<u>2,362</u>	<u>3,987</u>

**9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION**

Mr. Sun Tao, Mr. Ji Lijun and Mr. Jiang Yanqiu were appointed as executive directors of the Company on 26 May 2023. Ms. Yu Yihua was appointed as executive director of the Company on 26 May 2023. On 26 May 2023, Ms. Zhao Hong, Mr. Cui Qi and Mr. Ip Mun Lam were proposed to be appointed as independent non-executive directors and their appointments shall become effective upon the listing and commencement of trading of the Shares on the Stock Exchange. On 8 January 2024, Ms. Yu Yihua resigned from her position as an executive director of the Company and Mr. Zhu Wentao was appointed as executive director of the Company.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	<b>Year ended 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Fees	—	—	—
Salaries, allowances and benefits in kind	3,750	6,251	6,485
Pension scheme contributions	269	377	397
	<u>4,019</u>	<u>6,628</u>	<u>6,882</u>

**(A) Independent Non-executive Directors**

There was no emolument payable to the independent non-executive directors during the Relevant Periods.

**(B) Executive Directors**

	<b>Year ended 31 December 2021</b>		
	<b>Salaries, allowances and benefits in kind</b>	<b>Pension scheme contributions</b>	<b>Total</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
<b>Executive directors:</b>			
Mr. Sun Tao	1,765	55	1,820
Ms. Yu Yihua	288	64	352
Mr. Ji Lijun	507	63	570
Mr. Jiang Yanqiu	1,190	87	1,277
	<u>3,750</u>	<u>269</u>	<u>4,019</u>

	<b>Year ended 31 December 2022</b>		
	<b>Salaries, allowances and benefits in kind</b>	<b>Pension scheme contributions</b>	<b>Total</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
<b>Executive directors:</b>			
Mr. Sun Tao	3,942	96	4,038
Ms. Yu Yihua	349	89	438
Mr. Ji Lijun	515	96	611
Mr. Jiang Yanqiu	1,445	96	1,541
	<u>6,251</u>	<u>377</u>	<u>6,628</u>

## Year ended 31 December 2023

	Year ended 31 December 2023		
	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	(RMB'000)	(RMB'000)	(RMB'000)
<b>Executive directors:</b>			
Mr. Sun Tao	3,967	100	4,067
Ms. Yu Yihua	298	97	395
Mr. Ji Lijun	759	100	859
Mr. Jiang Yanqiu	1,461	100	1,561
	<u>6,485</u>	<u>397</u>	<u>6,882</u>

**10. FIVE HIGHEST PAID EMPLOYEES**

The five highest paid employees during the years ended 31 December 2021, 2022 and 2023 included 3, 2 and 3 directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remaining 2, 3 and 2 highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		
	2021	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)
Salaries, allowances and benefits in kind	716	4,712	2,304
Pension scheme contributions	161	275	219
	<u>877</u>	<u>4,987</u>	<u>2,523</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December		
	2021	2022	2023
Nil to HK\$1,000,000	2	1	1
HK\$1,000,001 to HK\$2,000,000	—	1	1
HK\$2,000,001 to HK\$3,000,000	—	—	—
HK\$3,000,001 to HK\$4,000,000	—	1	—
	<u>2</u>	<u>3</u>	<u>2</u>

**11. INCOME TAX**

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

Pursuant to the Corporate Income Tax of the PRC and the respective regulations (the “CIT Law”), the Company’s subsidiaries which operate in Chinese Mainland are subject to income tax at a rate of 25% on their respective taxable income.

Jiangsu Cloud Factory Information Technology Co., Ltd. (“Yungongchang”) was accredited as a “High-and-New Technology Enterprise” (“HNTe”) in 2021 and the certifications were valid for three years for each time. Yungongchang is entitled to a preferential income tax rate of 15% during the Relevant Periods.

According to the CIT Law and its relevant regulations issued in 2019, entities that are qualified as small low-profit enterprise are entitled to a preferential income tax rate of 5% (for taxable income less than RMB1,000,000) or 10% (for taxable income ranging from RMB1,000,000 to RMB3,000,000). Qingdao Yunruitian Technology Co., Ltd., Wuxi Xiankai Information Technology Co., Ltd., Shanghai Xiaojiang Information Technology Co., Ltd. and Wuxi Lingjing Cloud Co., Ltd were qualified as small low-profit enterprises and were entitled to a preferential income tax rate ranging from 5% to 10% for the Relevant Periods. Jiangsu Yiru Information Technology Co., Ltd., was entitled to a preferential income tax rate ranging from 5% to 10% for the years ended 31 December 2021, 2022, and Shandong Dianya Information Technology Co., Ltd. was entitled to a preferential income tax rate ranging from 5% to 10% for the year ended 31 December 2023.

	<u>Year ended 31 December</u>		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
	(RMB'000)	(RMB'000)	(RMB'000)
Current	1,936	164	1,218
Deferred ( <i>note 17</i> )	<u>112</u>	<u>(535)</u>	<u>(771)</u>
Total tax charge for the year	<u>2,048</u>	<u>(371)</u>	<u>447</u>

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate for each of the Relevant Periods is as follows:

	<u>Year ended 31 December</u>		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
	(RMB'000)	(RMB'000)	(RMB'000)
Profit before tax	14,733	7,663	14,671
Tax at the statutory tax rate	3,683	1,916	3,668
Lower tax rate enacted by local authority	(1,280)	(826)	(1,448)
Additional deduction of research and development expenses	(1,590)	(2,627)	(3,097)
Tax losses and deductible temporary differences not recognised	7	65	94
Expenses not deductible for tax	1,228	1,101	1,233
Use of tax deductible losses from prior periods	<u>—</u>	<u>—</u>	<u>(3)</u>
Tax charge/(credit) at the Group’s effective rate	<u>2,048</u>	<u>(371)</u>	<u>447</u>

## 12. DIVIDENDS

No dividend has been declared and paid by the Company in respect of the Relevant Periods.

Jiangsu Cloud Factory Information Technology Co., Ltd. made distributions to the then shareholders in the amounts of RMB2,000,000, Nil and RMB30,000,000 for the years ended 31 December 2021, 2022 and 2023, respectively before the date of incorporation of the Company.

**13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

The Company became the holding company of the companies now comprising the Group on 28 March 2023 due to the Reorganisation and the basis of presentation of the results of the Group for the Relevant Periods as disclosed in note 2.1 to the Historical Financial Information.

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the company's issuance of 1 million ordinary shares, with a par value of USD0.00001 per share, the payment has not yet been made after the Reorganisation.

**14. PROPERTY, PLANT AND EQUIPMENT****31 December 2021**

	<u>Buildings</u>	<u>Leasehold</u> <u>improvements</u>	<u>Electronic</u> <u>equipment</u>	<u>Furniture</u> <u>and fixtures</u>	<u>Motor</u> <u>vehicles</u>	<u>Total</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
At 1 January 2021:						
Cost	—	278	2,765	282	1,823	5,148
Accumulated depreciation	—	(278)	(2,174)	(178)	(196)	(2,826)
Net carrying amount	<u>—</u>	<u>—</u>	<u>591</u>	<u>104</u>	<u>1,627</u>	<u>2,322</u>
At 1 January 2021, net of accumulated depreciation	—	—	591	104	1,627	2,322
Additions	10,583	—	296	19	373	11,271
Disposals	—	—	(119)	(1)	—	(120)
Depreciation provided during the year	—	—	(392)	(55)	(518)	(965)
At 31 December 2021, net of accumulated depreciation	<u>10,583</u>	<u>—</u>	<u>376</u>	<u>67</u>	<u>1,482</u>	<u>12,508</u>
At 31 December 2021:						
Cost	10,583	—	1,430	158	2,196	14,367
Accumulated depreciation	—	—	(1,054)	(91)	(714)	(1,859)
Net carrying amount	<u>10,583</u>	<u>—</u>	<u>376</u>	<u>67</u>	<u>1,482</u>	<u>12,508</u>

## 31 December 2022

	<u>Buildings</u>	<u>Leasehold</u>	<u>Electronic</u>	<u>Furniture</u>	<u>Motor</u>	<u>Total</u>
	(RMB'000)	improvements	equipment	and fixtures	vehicles	(RMB'000)
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
At 1 January 2022:						
Cost	10,583	—	1,430	158	2,196	14,367
Accumulated depreciation	—	—	(1,054)	(91)	(714)	(1,859)
Net carrying amount	<u>10,583</u>	<u>—</u>	<u>376</u>	<u>67</u>	<u>1,482</u>	<u>12,508</u>
At 1 January 2022, net of accumulated depreciation	10,583	—	376	67	1,482	12,508
Additions	—	—	210	130	4,032	4,372
Disposals	—	—	(5)	—	(938)	(943)
Depreciation provided during the year	(542)	—	(240)	(44)	(877)	(1,703)
At 31 December 2022, net of accumulated depreciation	<u>10,041</u>	<u>—</u>	<u>341</u>	<u>153</u>	<u>3,699</u>	<u>14,234</u>
At 31 December 2022:						
Cost	10,583	—	767	288	4,474	16,112
Accumulated depreciation	(542)	—	(426)	(135)	(775)	(1,878)
Net carrying amount	<u>10,041</u>	<u>—</u>	<u>341</u>	<u>153</u>	<u>3,699</u>	<u>14,234</u>

## 31 December 2023

	<u>Buildings</u>	<u>Leasehold</u>	<u>Electronic</u>	<u>Furniture</u>	<u>Motor</u>	<u>Total</u>
	(RMB'000)	improvements	equipment	and fixtures	vehicles	(RMB'000)
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
At 1 January 2023:						
Cost	10,583	—	767	288	4,474	16,112
Accumulated depreciation	(542)	—	(426)	(135)	(775)	(1,878)
Net carrying amount	<u>10,041</u>	<u>—</u>	<u>341</u>	<u>153</u>	<u>3,699</u>	<u>14,234</u>
At 1 January 2023, net of accumulated depreciation	10,041	—	341	153	3,699	14,234
Additions	748	221	8,366	152	684	10,171
Disposals	—	—	(2)	—	(74)	(76)
Depreciation provided during the period	(558)	(25)	(1,092)	(46)	(1,155)	(2,876)
At 31 December 2023, net of accumulated depreciation	<u>10,231</u>	<u>196</u>	<u>7,613</u>	<u>259</u>	<u>3,154</u>	<u>21,453</u>
At 31 December 2023:						
Cost	11,331	221	9,059	440	4,922	25,973
Accumulated depreciation	(1,100)	(25)	(1,446)	(181)	(1,768)	(4,520)
Net carrying amount	<u>10,231</u>	<u>196</u>	<u>7,613</u>	<u>259</u>	<u>3,154</u>	<u>21,453</u>

## 15. LEASES

**The Group as A Lessee**

The Group has lease contracts for office premises used in its operation. Leases of office premises generally have lease terms between 24 and 37 months.

**(a) Right-of-use assets**

The carrying amounts of the Group's right-of-use assets and the movements during each of the Relevant Periods are as follows:

<u>Office premises</u>	<u>As at 31 December</u>		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<u>(RMB'000)</u>	<u>(RMB'000)</u>	<u>(RMB'000)</u>
Carrying amount at the beginning of the year	587	184	215
Additions	—	369	1,842
Disposals	—	(161)	(92)
Depreciation provided during the year	<u>(403)</u>	<u>(177)</u>	<u>(557)</u>
Carrying amount at the end of the year	<u>184</u>	<u>215</u>	<u>1,408</u>

**(b) Lease liabilities**

The carrying amount of lease liabilities and the movements during each of the Relevant Periods are as follows:

	<u>As at 31 December</u>		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<u>(RMB'000)</u>	<u>(RMB'000)</u>	<u>(RMB'000)</u>
Carrying amount at the beginning of the year	618	—	192
Additions	—	369	1,842
Disposals	—	—	(98)
Interest during the year	28	13	50
Payments during the year	<u>(646)</u>	<u>(190)</u>	<u>(727)</u>
Carrying amount at the end of the year	<u>—</u>	<u>192</u>	<u>1,259</u>
Analysed into:			
Current portion	—	192	595
Non-current portion	<u>—</u>	<u>—</u>	<u>664</u>

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	<u>Year ended 31 December</u>		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
	(RMB'000)	(RMB'000)	(RMB'000)
Interest on lease liabilities	28	13	50
Depreciation charge of right-of-use assets	403	177	557
Expense relating to short-term leases ( <i>note 7</i> )	<u>96</u>	<u>263</u>	<u>211</u>
Total amount recognised in profit or loss	<u><u>527</u></u>	<u><u>453</u></u>	<u><u>818</u></u>

The maturity analysis of lease liabilities is disclosed in note 34 to the Historical Financial Information.

## 16. OTHER INTANGIBLE ASSETS

### 31 December 2021

	<u>Software</u>
	(RMB'000)
At 1 January 2021:	
Cost	450
Accumulated amortisation	<u>(436)</u>
Net carrying amount	<u><u>14</u></u>
At 1 January 2021, net of accumulated amortisation	14
Additions	31
Amortisation provided during the year	<u>(13)</u>
At 31 December 2021, net of accumulated amortisation	<u><u>32</u></u>
At 31 December 2021:	
Cost	481
Accumulated amortisation	<u>(449)</u>
Net carrying amount	<u><u>32</u></u>



**31 December 2022**

	<u>Software</u> (RMB'000)
At 1 January 2022:	
Cost	481
Accumulated amortisation	<u>(449)</u>
Net carrying amount	<u>32</u>
At 1 January 2022, net of accumulated amortisation	32
Additions	354
Amortisation provided during the year	<u>(78)</u>
At 31 December 2022, net of accumulated amortisation	<u>308</u>
At 31 December 2022:	
Cost	835
Accumulated amortisation	<u>(527)</u>
Net carrying amount	<u>308</u>

**31 December 2023**

	<u>Software</u> (RMB'000)
At 1 January 2023:	
Cost	835
Accumulated amortisation	<u>(527)</u>
Net carrying amount	<u>308</u>
At 1 January 2023, net of accumulated amortisation	308
Additions	61
Amortisation provided during the period	<u>(203)</u>
At 31 December 2023, net of accumulated amortisation	<u>166</u>
At 31 December 2023:	
Cost	896
Accumulated amortisation	<u>(730)</u>
Net carrying amount	<u>166</u>

## 17. DEFERRED TAX

The movements in deferred tax assets and liabilities during each of the Relevant Periods are as follows:

**Deferred tax assets**

	<u>Lease liabilities</u>	<u>Impairment of financial assets</u>	<u>Loss available for offsetting against future profits</u>	<u>Unpaid employee benefits</u>	<u>Others</u>	<u>Total</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
At 1 January 2021	93	298	302	139	—	832
Deferred tax credited/ (charged) to profit or loss during the year (note 11)	<u>(93)</u>	<u>(23)</u>	<u>(125)</u>	<u>69</u>	<u>—</u>	<u>(172)</u>
At 31 December 2021 and 1 January 2022	—	275	177	208	—	660
Deferred tax credited to profit or loss during the year (note 11)	<u>29</u>	<u>60</u>	<u>229</u>	<u>221</u>	<u>—</u>	<u>539</u>
At 31 December 2022 and 1 January 2023	29	335	406	429	—	1,199
Deferred tax credited to profit or loss during the period (note 11)	<u>140</u>	<u>628</u>	<u>(406)</u>	<u>119</u>	<u>450</u>	<u>931</u>
At 31 December 2023	<u><u>169</u></u>	<u><u>963</u></u>	<u><u>—</u></u>	<u><u>548</u></u>	<u><u>450</u></u>	<u><u>2,130</u></u>

**Deferred tax liabilities**

	<u>Right of use assets</u>
	(RMB'000)
At 1 January 2021	88
Deferred tax credited to profit or loss during the year (note 11)	<u>(60)</u>
At 31 December 2021 and 1 January 2022	28
Deferred tax charged to profit or loss during the year (note 11)	<u>4</u>
At 31 December 2022 and 1 January 2023	32
Deferred tax charged to profit or loss during the period (note 11)	<u>160</u>
At 31 December 2023	<u><u>192</u></u>

For presentation purposes, certain deferred tax assets and liabilities amounting to RMB28,000, RMB32,000 and RMB192,000 have been offset in the consolidated statements of financial position as at 31 December 2021, 2022 and 2023 respectively. The following is an analysis of the deferred tax balances for financial reporting purposes:

	<u>Year ended 31 December</u>		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
	(RMB'000)	(RMB'000)	(RMB'000)
Net deferred tax assets recognised in the consolidated statements of financial position	<u>632</u>	<u>1,167</u>	<u>1,938</u>

Pursuant to the CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Chinese Mainland. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Chinese Mainland and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008.

As at 31 December 2021, 2022 and 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Company and the Group's subsidiaries established in Chinese Mainland. At the end of each of the Relevant Periods, the directors of the Company, based on the Group's operation and expansion plan, estimated that part of the retained earnings of the PRC subsidiaries would be retained in Chinese Mainland for use in future operations and investments. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings to the overseas parent in the foreseeable future. The aggregate amounts of temporary differences associated with unremitted earnings in Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately RMB32,102,000, RMB40,291,000 and RMB23,876,000 as at 31 December 2021, 2022 and 2023, respectively.

There are deferred tax assets in respect of tax losses amounting to RMB7,000, RMB65,000 and RMB94,000 that have not been recognised as at 31 December 2021, 2022 and 2023, respectively.

#### 18. OTHER NON-CURRENT ASSETS

	<u>Year ended 31 December 2023</u>
	(RMB'000)
Long-term receivables	98,149
Less: Long-term receivables due within one year	(16,839)
Less: Impairment	<u>(2,464)</u>
At the end of the year	<u>78,846</u>

Other non-current assets primarily comprise receivables of long-term receivables from a third party. The Group provided funds to purchase AI computing equipment from the third party and in turn lease it back to the third party.

The movements in the loss allowance for impairment of other non-current assets are as follows:

	<b>Year ended 31 December 2023</b>
	<b>(RMB'000)</b>
At the beginning of the year	—
Impairment losses recognised	<u>2,464</u>
At the end of the year	<u><u>2,464</u></u>

An impairment analysis is performed using estimated loss rate to measure expected credit losses. As at the end of each of the Relevant Periods, long-term receivables are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition, and thus the Group has assessed the expected credit losses under the 12-month expected credit loss method. Expected credit losses are also based on study of the specific company's credit-rating from external agency and default and recovery data for different credit-rating from external agency, and are adjusted for forward-looking information.

Set out below is the information about the credit risk exposure on the Group's long-term receivables and long-term receivables due within one year using estimated loss rate:

As at 31 December 2023:

	<b>Long-term receivables and long-term receivables due within one year credit rating</b>	
	<b>Unrated</b>	
Collectively assessed:		
Expected credit loss rate		3.03%
Gross carrying amount		98,149
Expected credit losses		2,974

## 19. TRADE RECEIVABLES

	<b>Year ended 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Trade receivables	99,340	117,309	200,991
Impairment	<u>(1,759)</u>	<u>(2,243)</u>	<u>(3,364)</u>
At the end of the year	<u><u>97,581</u></u>	<u><u>115,066</u></u>	<u><u>197,627</u></u>

The Group's trading terms with its customers are mainly on credit, except for small customers of IDC solution, where payment in advance is normally required. The credit periods are generally 10 to 60 days after receipt of invoice for major customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. As at the end of each of the Relevant Periods, the Group had certain concentrations of credit risk as 30%, 37%, 19% and 77%, 81%, 69% of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

As at 31 December 2021, 2022 and 2023, certain of the Group's trade receivables with net carrying amounts of approximately RMB26,831,000, RMB20,650,000 and RMB15,000,000 were pledged to secure general banking facilities granted to the Group, respectively (note 25).

An aging analysis of the trade receivables as at the end of the reporting period, based on the record date and net of loss allowance, is as follows:

	<b>Year ended 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Within 1 year	95,498	114,616	197,200
1 to 2 years	2,083	450	427
	<u>97,581</u>	<u>115,066</u>	<u>197,627</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	<b>Year ended 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
At the beginning of the year	1,869	1,759	2,243
Impairment losses (reversed)/recognised	<u>(110)</u>	<u>484</u>	<u>1,121</u>
At the end of the year	<u>1,759</u>	<u>2,243</u>	<u>3,364</u>

An impairment analysis is performed at the end of each Relevant Periods using estimated loss rate to measure expected credit losses. The estimated loss rates are based on historical observable default rates over expected life of the debts, study of each specific customer's credit-rating from external agency and default and recovery data for different credit-rating from external agency, and are adjusted for forward-looking information (for example, forecasted economic growth rates in the PRC, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. The calculation reflects the probability-weighted outcome, reasonable and supportable information that is available at the end of each Relevant Periods about past events, current conditions, and forecasts of future economic conditions.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

Set out below is the information about the credit risk exposure on the Group's trade receivables using estimated loss rate:

As at 31 December 2021:

	<b>Trade receivables credit rating</b>			
	<b>A</b>	<b>Baa</b>	<b>Unrated</b>	<b>Total</b>
Collectively assessed:				
Expected credit loss rate	0.07%	0.25%	3.10%	1.77%
Gross carrying amount	43,223	400	55,717	99,340
Expected credit losses	30	1	1,728	1,759

As at 31 December 2022:

	<b>Trade receivables credit rating</b>			
	<b>A</b>	<b>Baa</b>	<b>Unrated</b>	<b>Total</b>
Collectively assessed:				
Expected credit loss rate	0.10%	0.15%	3.23%	1.91%
Gross carrying amount	40,338	9,210	67,761	117,309
Expected credit losses	40	14	2,189	2,243

As at 31 December 2023:

	<b>Trade receivables credit rating</b>			
	<b>A</b>	<b>Baa</b>	<b>Unrated</b>	<b>Total</b>
Individually assessed:				
Expected credit loss rate	—	—	100.00%	100.00%
Gross carrying amount	—	—	386	386
Expected credit losses	—	—	386	386
Collectively assessed:				
Expected credit loss rate	0.05%	0.49%	3.03%	1.48%
Gross carrying amount	103,765	204	96,636	200,605
Expected credit losses	49	1	2,928	2,978

## 20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	<b>As at 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Long-term receivables due within one year	—	—	16,839
Less: Impairment	—	—	(510)
	<u>—</u>	<u>—</u>	<u>16,329</u>
Other receivables	—	—	11,666
Value-added tax recoverable	2,461	2,619	—
Deposits	1,301	204	472
Prepayment	3,823	12,922	3,325
Listing fee	2,529	3,876	6,117
Others	229	159	116
	<u>10,343</u>	<u>19,780</u>	<u>21,696</u>
Less: Impairment	(22)	(3)	(63)
	<u>10,321</u>	<u>19,777</u>	<u>21,633</u>
Total	<u><u>10,321</u></u>	<u><u>19,777</u></u>	<u><u>37,962</u></u>

Prepayments, other receivables and other assets are unsecured, non-interest-bearing and have no fixed terms of repayment.

The movements in provision for impairment of receivables are as follows:

	<b>Year ended 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
At the beginning of the year	26	22	3
Impairment losses (reversed)/recognised	(4)	(19)	570
At the end of the year	<u><u>22</u></u>	<u><u>3</u></u>	<u><u>573</u></u>

An impairment analysis is performed at the end of each of the Relevant Periods using estimated loss rate to measure expected credit losses. As at the end of each of the Relevant Periods, financial assets included in prepayments, other receivables and other assets are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition, and thus the Group has assessed the expected credit losses under the 12-month expected credit loss method.

The impairment analysis of long-term receivables due within one year are disclosed in notes 18.

**21. CASH AND CASH EQUIVALENTS**

	<u>Year ended 31 December</u>		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
	(RMB'000)	(RMB'000)	(RMB'000)
Cash and bank balances	<u>47,006</u>	<u>77,986</u>	<u>162,341</u>

All cash and bank balances are denominated in RMB.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

**22. TRADE PAYABLES**

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the record date, is as follows:

	<u>As at 31 December</u>		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
	(RMB'000)	(RMB'000)	(RMB'000)
Within 1 year	151,915	171,055	242,707
1 to 2 years	<u>16</u>	<u>248</u>	<u>1,428</u>
	<u>151,931</u>	<u>171,303</u>	<u>244,135</u>

The trade payables are non-interest-bearing and are normally settled within 90 to 150 days.

**23. OTHER PAYABLES AND ACCRUALS**

	<u>As at 31 December</u>		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
	(RMB'000)	(RMB'000)	(RMB'000)
Other tax payable	5,130	10,724	10,774
Payroll and welfare payable	3,177	7,772	8,154
Other payables	<u>7,037</u>	<u>6,425</u>	<u>12,553</u>
	<u>15,344</u>	<u>24,921</u>	<u>31,481</u>

Other payables are unsecured, non-interest-bearing and have a term within 1 year or on demand.



## 24. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	<u>Year ended 31 December</u>		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<u>(RMB'000)</u>	<u>(RMB'000)</u>	<u>(RMB'000)</u>
Contract liabilities	<u>133</u>	<u>1,849</u>	<u>76</u>

Contract liabilities of the Group mainly arise from the advance payments made by customers while the services are yet to be provided.

The expected timing of recognition of revenue at the end of the Relevant Periods is as follows:

	<u>Year ended 31 December</u>		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<u>(RMB'000)</u>	<u>(RMB'000)</u>	<u>(RMB'000)</u>
Expected to be satisfied within 1 year	<u>133</u>	<u>1,849</u>	<u>76</u>

## 25. INTEREST-BEARING BANK BORROWINGS

	<u>31 December 2021</u>			<u>31 December 2022</u>			<u>31 December 2023</u>		
	Effective Interest rate	Maturity	RMB'000	Effective Interest rate	Maturity	RMB'000	Effective Interest rate	Maturity	RMB'000
<b>Current</b>									
Bank borrowings — secured	3.90%– 4.85%	2022	42,083	3.80%– 4.50%	2023	67,013	3.45%	2024	28,026
Bank borrowings — unsecured	—	—	—	—	—	—	3.00%– 4.00%	2024	138,708
Total			<u>42,083</u>			<u>67,013</u>			<u>166,734</u>

	<u>As at 31 December</u>		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<u>(RMB'000)</u>	<u>(RMB'000)</u>	<u>(RMB'000)</u>
Bank borrowings repayable:			
Within 1 year	<u>42,083</u>	<u>67,013</u>	<u>166,734</u>

**Analysed into:**

Bank borrowings repayable:

    Within 1 year

The Group's borrowings are denominated in RMB.

All of the interests of the Group's borrowings are fixed.

Certain of the Group's bank borrowings are secured by the pledges of the following assets with net carrying values at the end of each of the Relevant Periods as follows:

		Year ended 31 December		
		2021	2022	2023
	Note	(RMB'000)	(RMB'000)	(RMB'000)
Trade receivables	19	26,831	20,650	15,000

The Group's bank borrowings were secured by the pledges of patent rights with a net carrying value of zero at the end of each of the Relevant Periods.

As at 31 December 2021, Mr Fu Chao had guaranteed certain of the Group's bank borrowings up to RMB10,000,000.

As at 31 December 2021 and 2022, the Controlling Shareholder, Mr Sun Tao, had guaranteed certain of the Group's bank borrowings up to RMB45,000,000 and RMB55,000,000, respectively.

As at the Latest Practicable Date, all the guarantee of the Group's secured bank borrowings were provided by our subsidiaries.

## 26. SHARE CAPITAL

	As at 31 December		
	2021	2022	2023
	(RMB)	(RMB)	(RMB)
<b>Issued</b>			
1,000,000 (31 December 2021 and 2022: 100) ordinary shares	64	64	64

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital (RMB)
At 10 December 2021(date of incorporation) ( <i>Note (a)</i> )	100	64
At 31 December 2021 and 2022	100	64
Share subdivision ( <i>Note (b)</i> )	999,900	—
At 31 December 2023	1,000,000	64

*Notes:*

- (a) On 10 December 2021, the Company was incorporated as an exempted company with limited liability incorporated in the Cayman Islands with authorised share capital of US\$50,000 divided into 500,000 ordinary shares of US\$0.1 each. On the date of incorporation, a total of 100 shares were issued at par amounting US\$10.

- (b) On 9 March 2023, pursuant to the written resolutions passed by then Shareholder, each of the issued and unissued shares of a par value of US\$0.1 in the share capital of the Company was subdivided into 10,000 Shares of a par value of US\$0.00001 each. As a result, the authorised share capital of the Company shall be US\$50,000 divided into 5,000,000,000 Shares of a par value of US\$0.00001 each.

## 27. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2021, 2022 and 2023 are presented in the consolidated statements of changes in equity.

### Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profits after tax, as determined under PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Group, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital, provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

### Merger reserve

Merger reserve represents the difference between the nominal value of shares issued by the Company and the aggregate fully paid registered capital and share premium of PRC subsidiaries being acquired pursuant to the Group Reorganisation. The merger reserve of the Group as of 1 January 2021 represents the capital contribution from the then equity holders of the Group's subsidiaries.

On 3 April 2023, Hainan Yunzhi Huifu Venture Investment Partnership (Limited Partnership) reached an agreement with the Company, the controlling shareholder and Wuxi Lingjing Cloud Information Technology Co., Ltd. Hainan Yunzhi Huifu Venture Investment Partnership (Limited Partnership) invested RMB25,000,000 in Wuxi Lingjing Cloud Information Technology Co., Ltd., accounting 1.39% share after investment. RMB24,538,000 was recognized in merger reserve, and the remaining amounting to RMB462,000 was recognized in non-controlling interest.

## 28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transactions

During the Relevant Periods, the Group had non-cash additions to right-of-use assets and lease liabilities of nil, RMB369,000 and RMB1,842,000 for the years ended 31 December 2021, 2022 and 2023 respectively, in respect of lease arrangements for office buildings.

**(b) Changes in liabilities arising from financing activities**

	<b>Interest- bearing bank and other borrowings</b>	<b>Due to related parties</b>	<b>Lease liabilities</b>	<b>Total liabilities from financing activities</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
At 1 January 2021	47,549	2,247	618	50,414
Cash flows used in financing activities	(7,728)	(2,247)	(646)	(10,621)
Accrual of interest	<u>2,262</u>	<u>—</u>	<u>28</u>	<u>2,290</u>
At 31 December 2021	42,083	—	—	42,083
Cash flows from/(used in) financing activities	22,581	—	(190)	22,391
New operating leases	—	—	369	369
Accrual of interest	<u>2,349</u>	<u>—</u>	<u>13</u>	<u>2,362</u>
At 31 December 2022	67,013	—	192	67,205
Cash flows from/(used in) financing activities	95,784	—	(727)	95,057
New operating leases	—	—	1,842	1,842
Accrual of interest	3,937	—	50	3,987
Disposals	<u>—</u>	<u>—</u>	<u>(98)</u>	<u>(98)</u>
At 31 December 2023	<u><u>166,734</u></u>	<u><u>—</u></u>	<u><u>1,259</u></u>	<u><u>167,993</u></u>

**(c) Total cash outflow for leases**

The total cash outflow for leases included in the statement of cash flows is as follows:

	<b>Year ended 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Within operating activities	109	105	233
Within financing activities	<u>646</u>	<u>190</u>	<u>727</u>
	<u><u>755</u></u>	<u><u>295</u></u>	<u><u>960</u></u>

**29. COMMITMENTS**

As at 31 December 2021, 2022 and 2023, neither the Group nor the Company had any significant commitments.

**30. CONTINGENCIES**

On 25 September 2015, Mr. Sun Tao signed an undertaking whereby he had to undertake to Company Z, details are set out in the paragraph headed "Sun Undertaking" in the section headed "Relationship with controlling shareholders" in the Prospectus. The management and PRC legal adviser are of the view that Mr. Sun Tao's investment in and operation of IDC Solution Services in the Group will not be considered as a breach of the "Sun Undertaking". Should Company Z file a claim alleging Mr. Sun Tao's breach of the "Sun Undertaking", the possibility of the court ruling in favour of Company Z is low. And the management and PRC legal adviser are of the view that there will be no material impacts on operation, development and expansion of Group's business or Mr. Sun Tao in the unlikely event that a breach is alleged. As of 31 December 2023, there have been no lawsuits related to this event.

## 31. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the Relevant Periods:

## (a) Name and relationship of related parties

<u>Name of Related Party</u>	<u>Relationship with the Group</u>
Ru Yi Information Technology Co., LTD	Controlling Shareholder of the Company
Mr Sun Tao	Controlling Shareholder and executive management
Mr Jiang Yanqiu	Executive management and key management personnel of the Company
Mr Ji Lijun	Executive management and key management personnel of the Company
Ms Yu Yihua ( <i>note(i)</i> )	Executive management and key management personnel of the Company
Mr Cai Yuxuan ( <i>note (ii)</i> )	Key management personnel of the Company
Ms Zhou Xin	Key management personnel of the Company
Mr Fu Chao ( <i>note (iii)</i> )	Key management personnel of the Company
Mr Zhu Wentao	Key management personnel of the Company
江蘇瀚舉投資有限公司 (“Jiangsu Hanju Investment Co., Ltd”)	Company controlled by the Controlling Shareholder
無錫邦泰企業管理諮詢合夥企業(有限合夥) (“Wuxi Bangtai Enterprise Management Consulting Limited Partnership Company”)	Company controlled by the Controlling Shareholder

- (i) Ms Yu Yihua resigned from the Group in January 2024 and was not a related party after resignation.
- (ii) Mr Cai Yuxuan resigned from the Group in December 2022 and was not a related party after resignation.
- (iii) Mr Fu Chao resigned from the Group in August 2022 and was not a related party after resignation.

**(b) Significant related parties' transactions**

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the Relevant Periods:

	<b>Year ended 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Advances from related parties:			
Controlling Shareholder	22,166	—	—
Key management personnel of the Company	—	1,500	—
	<u>22,166</u>	<u>1,500</u>	<u>—</u>
Repayments from related parties:			
Controlling Shareholder	—	—	84,251
Advances to related parties:			
Controlling Shareholder	21,986	20	—
Repayment of advances from related parties:			
Companies controlled by the Controlling Shareholder	2,247	—	—
Key management personnel of the Company	—	1,500	—
	<u>2,247</u>	<u>1,500</u>	<u>—</u>

These transactions were interest-free and had no fixed terms of repayment.

**(c) Other transactions with related parties**

As at 31 December 2021 and 2022, Controlling shareholder and key management personnel of the Group have guaranteed certain of the Group's bank borrowings up to RMB55,000,000 and RMB55,000,000, respectively.

**(d) Outstanding balances with related parties***The Group*

	<b>Year ended 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Due from related parties			
Non-trade-related:			
Controlling Shareholder	84,231	84,251	—

The outstanding balances with related parties are unsecured, interest-free and have no fixed terms of repayment.

As of 30 May 2023, the balance of amount due from related parties RMB84.3 million had been fully settled.

*The Company*

	<u>As at 31 December</u>		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
	(RMB)	(RMB)	(RMB)
Due from related parties			
Non-trade-related:			
Controlling Shareholder of the Company	<u>64</u>	<u>—</u>	<u>—</u>

	<u>As at 31 December</u>		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
	(RMB)	(RMB)	(RMB)
Due from related parties			
Non-trade-related:			
Controlling Shareholder	<u>—</u>	<u>627</u>	<u>636</u>

The outstanding balances with related parties are unsecured, interest-free and have no fixed terms of repayment.

**(e) Compensation of key management personnel of the Group**

	<u>Year ended 31 December</u>		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
	(RMB'000)	(RMB'000)	(RMB'000)
Short-term employee benefits	4,657	10,888	8,287
Pension scheme contributions	<u>481</u>	<u>687</u>	<u>591</u>
Total compensation paid to key management personnel	<u>5,138</u>	<u>11,575</u>	<u>8,878</u>

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

**32. FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

**31 December 2021***Financial assets*

	<b>Financial assets at amortised cost</b>
	<b>(RMB'000)</b>
Trade receivables ( <i>note 19</i> )	97,581
Financial assets included in prepayments and other receivables	1,279
Due from related parties ( <i>note 31</i> )	84,231
Cash and cash equivalents ( <i>note 21</i> )	47,006
	<u>230,097</u>

*Financial liabilities*

	<b>Financial liabilities at amortised cost</b>
	<b>(RMB'000)</b>
Trade payables ( <i>note 22</i> )	151,931
Financial liabilities included in other payables and accruals	7,037
Interest-bearing bank borrowings ( <i>note 25</i> )	42,083
	<u>201,051</u>

**31 December 2022***Financial assets*

	<b>Financial assets at amortised cost</b>
	<b>(RMB'000)</b>
Trade receivables ( <i>note 19</i> )	115,066
Financial assets included in prepayments and other receivables	201
Due from related parties ( <i>note 31</i> )	84,251
Cash and cash equivalents ( <i>note 21</i> )	77,986
	<u>277,504</u>



*Financial liabilities*

	<b>Financial liabilities at amortised cost</b>
	<b>(RMB'000)</b>
Trade payables ( <i>note 22</i> )	171,303
Financial liabilities included in other payables and accruals	6,425
Interest-bearing bank borrowings ( <i>note 25</i> )	<u>67,013</u>
	<u>244,741</u>

31 December 2023

*Financial assets*

	<b>Financial assets at amortised cost</b>
	<b>(RMB'000)</b>
Trade receivables ( <i>note 19</i> )	197,627
Financial assets included in prepayments and other receivables ( <i>note 20</i> )	28,404
Cash and cash equivalents ( <i>note 21</i> )	162,341
Financial assets included in other non-current assets ( <i>note 18</i> )	<u>78,846</u>
	<u>467,218</u>

*Financial liabilities*

	<b>Financial liabilities at amortised cost</b>
	<b>(RMB'000)</b>
Trade payables ( <i>note 22</i> )	244,135
Financial liabilities included in other payables and accruals ( <i>note 23</i> )	12,553
Interest-bearing bank borrowings ( <i>note 25</i> )	<u>166,734</u>
	<u>423,422</u>

**33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, amounts due from related parties, trade receivables, trade payables, financial liabilities included in other payables and accruals, and amounts due to related parties approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance manager. The valuation process and results are discussed twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial instruments mainly include cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables and financial liabilities included in other payables and accruals, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank borrowings and lease liabilities. The main purpose of these financial instruments is to support the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

**(a) Interest rate risk**

The Group has no debt obligations with a floating interest rate. Accordingly, as at the end of each of the Relevant Periods, the Group did not have any significant interest rate risk.

**(b) Credit risk**

The Group trades only with recognised and creditworthy third parties who primarily operate in internet and technology industries. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances and concentrations are monitored on an ongoing basis.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and financial assets included in prepayments, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. Further quantitative data in respect of the Group's exposure to credit risk arising from other non-current assets, trade receivables and financial assets included in prepayments, other receivables and other assets are disclosed in notes 18, 19 and 20 to the financial statements, respectively.

*Maximum exposure and year-end staging*

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

	12-month		Lifetime ECLs		Total (RMB'000)
	ECLs				
	Stage 1 (RMB'000)	Stage 2 (RMB'000)	Stage 3 (RMB'000)	Simplified approach (RMB'000)	
<b>As at 31 December 2021</b>					
Trade receivables*	—	—	—	99,340	99,340
Due from related parties	84,231	—	—	—	84,231
Financial assets included in prepayments, other receivables and other assets					
— Normal**	1,301	—	—	—	1,301
Cash and cash equivalents — Not yet past due	47,006	—	—	—	47,006
	<u>132,538</u>	<u>—</u>	<u>—</u>	<u>99,340</u>	<u>231,878</u>
<b>As at 31 December 2022</b>					
Trade receivables*	—	—	—	117,309	117,309
Due from related parties	84,251	—	—	—	84,251
Financial assets included in prepayments, other receivables and other assets					
— Normal**	204	—	—	—	204
Cash and cash equivalents — Not yet past due	77,986	—	—	—	77,986
	<u>162,441</u>	<u>—</u>	<u>—</u>	<u>117,309</u>	<u>279,750</u>
<b>As at 31 December 2023</b>					
Trade receivables*	—	—	—	200,991	200,991
Financial assets included in prepayments, other receivables and other assets					
— Normal**	28,977	—	—	—	28,977
Cash and cash equivalents-Not yet past due	162,341	—	—	—	162,341
Financial assets included in other non-current assets (note 18)	81,310	—	—	—	81,310
	<u>272,628</u>	<u>—</u>	<u>—</u>	<u>200,991</u>	<u>473,619</u>

\* For trade receivables to which the Group applies the simplified approach for impairment information based on the estimated loss rate are disclosed in note 19 to the Historical Financial Information.

\*\* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the Historical Financial Information.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. As at the end of each of the Relevant Periods, the Group had certain concentrations of credit risk as 30%, 37%, 19% and 77%, 81%, 69% of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively.

**(c) Liquidity risk**

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on contractual undiscounted payments, is as follows:

	<u>Within 1 year or on demand</u>	<u>Over 1 year</u>	<u>Total</u>
	(RMB'000)	(RMB'000)	(RMB'000)
<b>As at 31 December 2021</b>			
Trade payables	151,931	—	151,931
Other payables	7,037	—	7,037
Interest-bearing bank borrowings	<u>42,541</u>	<u>—</u>	<u>42,541</u>
	<u>194,472</u>	<u>—</u>	<u>201,509</u>
<b>As at 31 December 2022</b>			
Trade payables	171,303	—	171,303
Other payables	6,425	—	6,425
Lease liabilities	199	—	199
Interest-bearing bank borrowings	<u>68,407</u>	<u>—</u>	<u>68,407</u>
	<u>239,909</u>	<u>—</u>	<u>246,334</u>
<b>As at 31 December 2023</b>			
Trade payables	244,135	—	244,135
Other payables	12,553	—	12,553
Lease liabilities	644	682	1,326
Interest-bearing bank borrowings	<u>170,040</u>	<u>—</u>	<u>170,040</u>
	<u>414,819</u>	<u>682</u>	<u>428,054</u>

**(d) Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies, or processes for managing capital during the Relevant Periods.

The Group monitors capital using a debt-to-asset ratio which is total liabilities divided by total assets. The debt-to-asset ratios as at 31 December 2021, 2022 and 2023 were as follows:

	<u>As at 31 December</u>		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<u>(RMB'000)</u>	<u>(RMB'000)</u>	<u>(RMB'000)</u>
Total liabilities	215,292	267,600	446,840
Total assets	<u>252,935</u>	<u>313,277</u>	<u>501,741</u>
Debt-to-asset ratio	<u>85%</u>	<u>85%</u>	<u>89%</u>

### 35. EVENTS AFTER THE RELEVANT PERIODS

On 8 January 2024, Ms. Yu Yihua resigned from her position as an executive director of the Company and Mr. Zhu Wentao was appointed as executive director of the Company.

### 36. 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 31 December 2023.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' Report set out in Appendix I to this prospectus.

#### A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company has been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the HKICPA for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our consolidated net tangible assets attributable to the owners of the Company as at 31 December 2023 as if it had taken place on 31 December 2023.

The unaudited pro forma adjusted consolidated net tangible assets attributable to the 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 financial position of the Group had the Global Offering been completed as at 31 December 2023 or any future date. It is prepared based on our consolidated net tangible assets as at 31 December 2023 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Audited Consolidated Net Tangible Assets attributable to owners of the Company as at 31 December 2023	Estimated Net Proceeds from the Global Offering	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets	Unaudited Pro Forma Adjusted Net Tangible assets attributable to owners of the Company per Share	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	HK\$ (Note 4)
Based on an Offer Price of HK\$4.60 per Share	53,972	329,397	383,369	0.83	0.91

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*Notes:*

- (1) The consolidated net tangible assets attributable to owners of the Company as at 31 December 2023 is extracted from the Accountants' Report, which is based on the audited consolidated equity attributable to owners of the Company as at 31 December 2023 of approximately RMB54.1 million. The amount of the audited consolidated net tangible assets attributable to the owners of the Company as at 31 December 2023 exclude other intangible assets of RMB166,000 and non-controlling interests of RMB763,000.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$4.60 per Share, after deduction of the underwriting fees and other related expenses payable by the Company (excluding the listing expense that have been charged to profit or loss during the Track Record Period) and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK\$1.0 to RMB0.91.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 460,000,000 Shares expected to be in issue immediately upon completion of the Capitalisation Issue and the Global Offering and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.0 to RMB0.91.
- (5) No adjustment has been made to the unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company to reflect any trading results or other transactions of the Group subsequent to December 31, 2023.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

To the Directors of Cloud Factory Technology Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Cloud Factory Technology Holdings 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 31 December 2023, and related notes as set out on pages II-1 and II-2 of the prospectus dated 5 June 2024 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 Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at 31 December 2023 as if the transaction had taken place at 31 December 2023. 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 period ended 31 December 2023, 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 Management 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements which requires the firm to design, implement and operate a system of quality management including policies or 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 global offering of shares 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' judgment, 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

5 June 2024

## **APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND COMPANY LAW OF THE CAYMAN ISLANDS**

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of the Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 December 2021 under the Cayman Companies Act. Our Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

### **1. MEMORANDUM OF ASSOCIATION**

The Memorandum states, *inter alia*, that the liability of members of our Company is limited to the amount from time to time unpaid on such member's shares and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising any and all of the powers exercisable by a natural person or body corporate in any part of the world whether as principal, agent, contractor or otherwise and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

### **2. ARTICLES OF ASSOCIATION**

The Articles were conditionally adopted on 14 May 2024 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

#### **(a) Shares**

##### **(i) *Classes of shares***

The share capital of our Company consists of ordinary shares.

##### **(ii) *Variation of rights of existing shares or classes of shares***

Subject to the Cayman Companies Act, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (including at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third of the issued shares of that class. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

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Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(iii) *Alteration of capital***

Our Company may by ordinary resolution of its members:

- (aa) increase its share capital as provided in the Articles;
- (bb) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (cc) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the Board may determine;
- (dd) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum;
- (ee) cancel any shares, which at the date of passing of the resolution, have not been taken and diminish the amount of its share capital by the amount of the shares so cancelled;
- (ff) make provision for the issue and allotment of shares which do not carry any voting rights;
- (gg) change the currency of denomination of its share capital; and
- (hh) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

Our Company may by special resolution reduce its share capital or any capital redemption reserve or other undistributable reserve in any way and subject to any conditions prescribed by law.

**(iv) *Transfer of shares***

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 which 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.

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The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

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 be registered, in the case of any shares on a branch register, at the relevant registration office, and, in the case of any shares on the principal register, at the transfer office.

The Board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Board is paid to our Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share, is lodged at the relevant registration office, the registered office or the transfer office accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do), and the shares are free of any lien in favour of our Company.

The registration of transfers may be suspended and the register may be closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange to that effect be suspended at such times and for such periods (not exceeding in the whole 30 days in any year) as the Board may determine. The period of 30 days may be extended for a further period or periods not exceeding thirty 30 days in respect of any year if approved by members by ordinary resolution.

Fully paid shares are free from any restriction on transfer (except when permitted by the Stock Exchange) and free of all liens.

**(v) *Power of our Company to purchase its own shares***

Our Company is empowered by the Cayman Companies Act and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

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The Board may accept the surrender for no consideration of any fully paid shares.

**(vi) *Power of any subsidiary of our Company to own shares in our Company***

There are no provisions in the Articles relating to the ownership of shares in our Company by a subsidiary.

**(vii) *Calls on shares and forfeiture of shares***

The Board may from time to time make such calls 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 thereof made payable at a fixed time. A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him.

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 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 time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

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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 our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the forfeited shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment (including the payment of such interest) at such rate not exceeding 20% per annum as the Board may determine.

**(b) Directors**

**(i) *Appointment, retirement and removal***

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 provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification. Further, a Director is not required to retire upon reaching any particular age.

The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director subject to the maximum number determined from time to time by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the first annual general meeting of our Company after his appointment and shall then be eligible for re-election.

The members may by ordinary resolution remove any Director (including a managing Director or other executive Director) 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 our Company) and may by ordinary resolution appoint another person in his stead. Any Director so appointed shall be subject to the “retirement and rotation” provisions. The number of Directors shall not be less than two.

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The office of a Director shall be vacated if:

- (aa) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally; or
- (bb) he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated; or
- (cc) if he absents himself from the meetings of the Board during a continuous period of six months, without special leave of absence from the Board, and his alternate Director (if any) shall not during such period have attended in his stead, and the Board pass a resolution that he has by reason of such absence vacated his office; or
- (dd) he becomes prohibited by law from acting as a Director or he ceases to be a Director by operation of law or is removed pursuant to the Articles; or
- (ee) he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- (ff) he resigns; or
- (gg) he is removed from office by an ordinary resolution pursuant to the Articles; or
- (hh) he is removed from office by notice in writing served on him signed by not less than three-fourths in number (or if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

The Board may appoint any one or more of them to the office of managing director, joint managing director, deputy managing director or other executive director and/or such other office in the management of the business of the Company as it may decide for such period and upon such terms as it thinks fit. The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director(s) and other persons as it thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

**(ii) *Power to allot and issue shares and warrants***

Subject to the provisions of the Cayman Companies Act, the Memorandum and Articles and without prejudice to any special rights or restrictions attaching to any shares or any class of shares, (a) 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 Directors may determine; or (b) shares may be issued on the terms that may be, or at the option of our Company or the holder are, liable to be redeemed.



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The Board may issue warrants to subscribe for any class of shares or other securities of our Company on such terms as the Board may determine.

Subject to the provisions of the Cayman Companies Act and the Articles and, where applicable, the Listing Rules and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company are at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither our Company nor the Board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares or other securities of our Company, to make, or make available, any such allotment, offer, option or shares or other securities of our Company to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, and shall be deemed not to be, a separate class of members for any purpose whatsoever.

**(iii) *Power to dispose of the assets of our Company or any of its subsidiaries***

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Cayman Companies Act to be exercised or done by our Company in general meeting.

**(iv) *Borrowing powers***

The Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of our Company and, subject to the Cayman Companies Act, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

**(v) *Remuneration***

The 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 our Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is voted) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, equally, except

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that in such event any Director holding office for less than the whole of the relevant period in respect of which the ordinary remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in or about the performance of their duties as Directors.

Any Director who, at the request of our Company, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the Board go beyond the ordinary duties of such Director may be paid such extra remuneration as the Board may determine and such extra remuneration may be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director or a Director appointed to be a managing director, joint managing director, deputy managing director or any other executive officer may receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish, either on its own or jointly with other companies (being subsidiary companies of our Company or companies with which it is associated in business) and maintain any funds or plans for providing pensions, allowances or emoluments for employees and ex-employees of our Company and their dependants.

**(vi) *Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

**(vii) *Loans and provision of security for loans to Directors***

Except as would, if the Company were a company incorporated in Hong Kong, be permitted by the Companies Ordinance and the Cayman Companies Act, our Company shall not directly or indirectly make a loan to a Director or a director of any holding company of our 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 our 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.

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*(viii) Disclosure of interests in contracts with our Company or any of its subsidiaries*

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any other company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The Directors may exercise the voting power conferred by the shares in any other company held or owned by our Company in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with our Company either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall declare the nature of his interest in any such contract or transaction at or prior to the consideration and vote on such contract or transaction, either specifically or by way of a general notice stating that, by reason of the facts specified in such notice, he is to be regarded as interested in any such contract or transaction.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his close associates 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 does not apply to any of the following matters namely:

- (aa) the giving of any security or indemnity either: (x) 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 our Company or any of its subsidiaries; or (y) to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close

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associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (bb) any proposal concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (cc) any proposal or arrangement concerning the benefit of employees of our Company or its subsidiaries including the adoption, modification or operation of (x) any employees' share scheme, or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (y) a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates; and
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company.

**(c) Proceedings of the Board**

The Board may meet for the despatch of business, 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 must have a second or casting vote.

**(d) Alterations to constitutional documents and our Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, a special resolution shall be required to alter the provisions of the Memorandum, to approve any amendment of the Articles or to change the name of our Company.

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**(e) Meetings of members**

**(i) *Special and ordinary resolutions***

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

**(ii) *Voting rights and right to demand a poll***

Subject to any special rights or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid but so that no amount paid up or credited as paid up on a share in advance of calls or instalments shall be treated for the purposes of the Articles as paid on the share. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. 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 (save as provided otherwise in the Articles) have one vote.

Where a clearing house (or its nominee(s)) is a member of our Company, it may (subject to the Articles) authorise such person or persons as it thinks fit to act as its representative or representatives, at any meeting (including but not limited to any general meeting, creditors meeting or at any meeting of any class of members) of our 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

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person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the clearing house (or its nominee(s)) as if such person were an individual member including the right to speak and vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

Members must have the right to: (i) speak at general meetings of our Company; and (ii) vote at a general meeting except where a member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

Where our Company has any 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 and extraordinary general meetings***

In each financial year during the Relevant Period (as defined in the Articles), our Company shall hold an annual general meeting within six months after the end of each financial year in addition to any other meeting in that year and shall specify the meeting as such in the notice calling it.

Extraordinary general meetings shall 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 our Company having the right of voting at general meetings, on a one vote per share basis in the share capital of our Company and the foregoing members shall be able to add resolutions to the meeting agenda. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 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 our Company.

**(iv) *Notices of meetings and business to be conducted***

An annual general meeting shall be called by a notice in writing of not less than 21 days. All other general meetings shall be called by notice in writing of at least 14 days. 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 shall specify the time and place and the agenda of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

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In addition, notice of every general meeting must be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to, among others, the auditors for the time being of our Company.

Any notice or document to be given to or by any person pursuant to the Articles may be served on or delivered to any member of our Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to the Cayman Companies Act and the Listing Rules, a notice or document may also be served or delivered by our Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting shall be deemed special. All business shall be deemed special that is transacted at an annual general meeting with the exception of the following, each of which shall be deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
  - (bb) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheets;
  - (cc) the election of Directors whether by rotation or otherwise in place of those retiring;
  - (dd) the appointment of auditors and other officers;
  - (ee) the fixing of, or the determining of the method of fixing of the remuneration of the Directors and of the auditors;
  - (ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares representing not more than 20% (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to paragraph (gg); and
  - (gg) the granting of any mandate or authority to the Board to repurchase securities of our Company.
- (v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless the requisite quorum is present at the time when the meeting proceeds to business.



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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 (including an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third of the issued shares of that class.

**(vi) Proxies**

Any member of our Company entitled to attend and vote at a meeting of our Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, every member being a corporation shall be entitled to appoint a representative to attend and vote at any general meeting of our Company and, where a corporation is so represented, it shall be treated as being present at any meeting in person. A corporation may execute a form of proxy under the hand of a duly authorised officer and such a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. On a poll or a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(f) Accounts and audit**

The Board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of our Company and of all other matters required by the Cayman Companies Act or necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions.

The accounting records shall be kept at the head office or at such other place or places as the Board thinks fit and shall always be open to inspection by the Directors. No member (other than a Director) or other person shall have any right to inspect any account or book or document of our Company except as conferred by the Cayman Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or our Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority of the Cayman Islands pursuant to the Tax Information Authority Act of the Cayman Islands.



## **APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND COMPANY LAW OF THE CAYMAN ISLANDS**

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with the Cayman Companies Act and all applicable rules, including the Listing Rules, our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the Directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of our Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditor at any time before the expiration of his term of office and shall, by ordinary resolution, at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed and approved by our Company by an ordinary resolution passed at a general meeting or in such manner as the members may by ordinary resolution determine.

The auditor shall audit the financial statements of our Company in each year in accordance with generally accepted auditing standards and prepare an auditors' report thereon to be annexed thereto. Such report shall be submitted to the members and laid before our Company in the annual general meeting.

### **(g) Dividends and other methods of distribution**

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Cayman Companies Act.

Unless and to the extent that the rights attaching to, or the terms of issue of, any share may otherwise provide: (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and (ii) all dividends shall be (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
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paid. The Board may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the Board may further resolve either (i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (ii) that 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.

Our Company may upon the recommendation of the Board by ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other moneys payable in cash to the holder of shares may be paid by cheque or warrant sent through post. Every such cheque or warrant shall be made payable to the order of the holder of the person to whom it is sent, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends and other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

**(h) Inspection of corporate records**

Pursuant to the Articles, our Company's register and branch register of members shall be open to inspection during business hours by any members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the Board, at

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the registered office or such other place at which the register is kept in accordance with the Cayman Companies Act or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the Board, at the office where the branch register of members is kept, except the register is closed in accordance with the Articles.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix III.

**(j) Procedures on liquidation**

Subject to the Cayman Companies Act, our Company may at any time and from time to time be wound up voluntarily by 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 our Company is wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the surplus assets remaining after payment to all creditors shall be distributed *pari passu* and divided among the members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if our Company is wound up and the assets available for distribution amongst the members shall be insufficient to repay the whole of the paid-up capital, they shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company is wound up (whether the liquidation be voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Cayman Companies Act, divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no members shall be compelled to accept any shares or other assets upon which there is a liability.

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**(k) Subscription rights reserve**

The Articles provide that to the extent that they are not prohibited by and are in compliance with the Cayman Companies Act, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the nominal value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the nominal value of a share on any exercise of the warrants.

**3. CAYMAN ISLANDS COMPANY LAW**

Our Company is incorporated in the Cayman Islands subject to the Cayman Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar. For the avoidance of doubt, special resolution used in the below summary shall have the meaning as set out in the Cayman Companies Act.

**(a) Company operations**

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

The Cayman Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Cayman Companies Act provides that the share premium account may be applied by a company subject to the provisions, if any, of its memorandum and articles of association in (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) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Act); (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.

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No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

### **(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

### **(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Cayman Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company are to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the

## **APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND COMPANY LAW OF THE CAYMAN ISLANDS**

company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Cayman Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

### **(e) Dividends and distributions**

The Cayman Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of a company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

### **(f) Protection of minorities and shareholders' suits**

The Court ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (i) an act which is ultra vires the company or illegal; (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and (iii) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

## **APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND COMPANY LAW OF THE CAYMAN ISLANDS**

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order: (i) an order regulating the conduct of the company's affairs in the future; (ii) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do; (iii) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct; or (iv) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

### **(g) Disposal of assets**

The Cayman Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

### **(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority of the Cayman Islands pursuant to the Tax Information Authority Act of the Cayman Islands.

### **(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.



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**(j) Taxation**

Pursuant to the Tax Concessions Act (As Revised) of the Cayman Islands, the Company has obtained an undertaking:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (ii) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
  - (A) on or in respect of the shares debentures or other obligations of the Company;  
or
  - (B) by way of the withholding in whole or in part of any relevant payment as defined in the Tax Concessions Act.

The undertaking for our Company is for a period of thirty years from 25th May 2023.

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 executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Cayman Companies Act prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.



## **APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND COMPANY LAW OF THE CAYMAN ISLANDS**

Members of the Company have no general right under the Cayman Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's articles of association.

### **(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by section 40 of the Cayman Companies Act. A branch register must be kept in the same manner in which a principal register is by the Cayman Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Cayman Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority of the Cayman Islands pursuant to the Tax Information Authority Act of the Cayman Islands.

### **(o) Register of directors and officers**

A company is required to maintain at its registered office a register of directors and officers which is not available 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.

### **(p) Beneficial ownership register**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands.

Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of our Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

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**(q) Winding up**

A company may be wound up (i) compulsorily by order of the Court; (ii) voluntarily; or (iii) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

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**(r) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) 75% in value of shareholders or class of shareholders, or (ii) a majority in number representing 75% in value of creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

The Cayman Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (i) is or is likely to become unable to pay its debts within the meaning of section 93 of the Cayman Companies Act; and (ii) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Cayman Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

**(s) 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 the said four months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(t) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g., for purporting to provide indemnification against the consequences of committing a crime).

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**(u) Economic substance requirements**

Pursuant to the International Tax Cooperation (Economic Substance) Act (As Revised) of the Cayman Islands (the “**ES Act**”) that came into force on 1 January 2019, a “relevant entity” is required to satisfy the economic substance test set out in the ES Act. A “relevant entity” includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

**4. GENERAL**

Ogier, our Company’s legal counsel as to Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Act, is available on display as referred to in the paragraph headed “Documents delivered to the Registrar of Companies in Hong Kong and documents on display — B. Documents available on display” in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR GROUP****1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on 10 December 2021. Our registered office is 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009, Cayman Islands. Accordingly, our Company's corporate structure and our Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. For details, please refer to the paragraph headed "Summary of the Constitution of our Company and Company Law of the Cayman Islands — 2. Articles of Association" in Appendix III to this prospectus.

Our registered office of business in Hong Kong is 4/F, Jardine House, 1 Connaught Place, Central Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 8 March 2022 with the Registrar of Companies in Hong Kong. Ms. Lam Chi Ching Cecilia (林芷晴) has been appointed as one of the authorised representatives of our Company for the acceptance of service of process in Hong Kong. The address for service of process or notice is 4/F, Jardine House, 1 Connaught Place, Central, Hong Kong.

Our Company's head office is located at 2-601, Tian An Intelligence Park, 228 Linghu Avenue, Xinwu District, Wuxi, Jiangsu, PRC.

**2. Changes in share capital of our Company**

As at the date of our incorporation, the authorised share capital of our Company was US\$50,000 divided into 500,000 shares of nominal value of US\$0.1 each. The following sets out the changes in our Company's issued share capital since the date of its incorporation:

- (a) Our Company was incorporated on 10 December 2021. The initial sole share of our Company was allotted and issued to an initial subscriber who is an Independent Third Party, which was then transferred to Ru Yi IT on the same day. A total of 99 shares were issued at par and credited as fully paid to Ru Yi IT.
- (b) Pursuant to the Shareholder's resolutions passed on 9 March 2023, our Company subdivided each of its existing issued and unissued shares with a nominal value of US\$0.1 each, such that thereafter, the authorised share capital of our Company becomes US\$50,000 divided into 5,000,000,000 Shares with a nominal value of US\$0.00001 each.
- (c) Immediately following the completion of the Capitalisation Issue and before the Global Offering, the issued share capital of our Company will be US\$3,750 divided into 375,000,000 Shares of nominal value of US\$0.00001 each, all fully paid or credited as fully paid and 4,625,000,000 Shares of a nominal value of US\$0.00001 each will remain unissued.

Save as disclosed above and as mentioned in the paragraph headed “Statutory and General Information — A. Further Information about Our Group — 4. Written resolutions of our Shareholder passed on 14 May 2024” in this Appendix, there has been no alteration in our registered capital within the two years immediately preceding our incorporation.

### **3. Changes in share capital of our subsidiaries in the PRC and the Consolidated Affiliated Entities**

The subsidiaries of our Company (including our Consolidated Affiliated Entities) are listed in the Accountants’ Report set out in Appendix I to this prospectus. The following alteration in the share capital or registered capital of our subsidiaries took place within the two years immediately preceding the date of this prospectus:

#### ***Wuxi Xiankai***

- (a) on 9 March 2022, AY International subscribed for 4.6% of the enlarged shareholding interest in Wuxi Xiankai at a consideration of RMB242,272;
- (b) on 1 June 2022, Wuxi Lingjingyun acquired 48.7%, 46.7% and 4.6% equity interests of Wuxi Xiankai from its then shareholders, namely Ms. Tan Yamin, Ms. Zhou Saiping and AY International at the consideration of RMB242,272;

#### ***Wuxi Lingjingyun***

- (c) on 17 May 2022, Wuxi Lingjingyun was established as a wholly foreign-owned enterprise with a registered capital of RMB8,000,000 in the PRC;
- (d) on 11 April 2023, Hainan Yunzhi acquired 1.39% of the enlarged shareholding interest in Wuxi Lingjingyun at a consideration of RMB25 million; and
- (e) on 28 April 2024, Cloud Factory HK acquired 0.13% of the enlarged shareholding interest in Wuxi Lingjingyun at a consideration of RMB192 million.

Except as referred to above and in the section headed “History and Reorganisation” in this prospectus, there were no changes in the share capital of each of our Company’s subsidiaries (including our Consolidated Affiliated Entities) within the two years immediately preceding the date of this prospectus.

**4. Written resolutions of our Shareholder passed on 14 May 2024**

On 14 May 2024, resolutions of our Company were passed by Shareholder pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum and the Articles of Association as the new memorandum and articles of association of the Company in substitution for and to the exclusion of the existing memorandum and articles of association of the Company conditional upon and with effect from the Listing;
- (b) conditional upon the satisfaction (or, if applicable, waiver) of the conditions set out in the paragraph headed “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus and pursuant to the terms set out therein:
  - (i) the Capitalisation Issue and the Global Offering were approved and the Directors were authorised to allot, issue and approve the transfer of such number of Shares pursuant to the Capitalisation Issue and the Global Offering and the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option subject to the terms and conditions set out therein; and
  - (ii) the Listing was approved and the Directors were authorised to implement the Global Offering and the Listing;
- (c) subject to and conditional upon the share premium account of our Company being credited as a result of the issue of Offer Shares pursuant to the Global Offering, our Directors were authorised to allot and issue a total of 374,000,000 Shares (including 30,000,000 Sale Shares) credited as fully paid at par to the holders of Shares whose name(s) was entered on the principal register of members of our Company maintained in the Cayman Islands at the close of business on the date immediately preceding the date on which the Global Offering becoming unconditional (or as they may direct) in proportion (as nearly as possible without involving fractions) to its then existing respective shareholdings in the Company by way of capitalisation of the sum of US\$3,740 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares;

- (d) a general unconditional mandate be and is hereby granted to the Directors to exercise all powers of the Company to allot, issue and deal with (including the power to allot or issue such securities or to grant any offers, agreements or options which would or might require Shares to be allotted and issued), otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment and issue of Shares in lieu of the whole or in part of any cash dividend in accordance with the Articles, or under the Global Offering and the Capitalisation Issue or upon the exercise of the Over-allotment Option, Shares or securities convertible into Shares (including the resale or transfer of treasury shares by our Company), in compliance with the Listing Rules, in aggregate not exceeding the sum of 20% of the total number of Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option) and the total number of Shares in issue which may be purchased by the Company pursuant to the authority granted to the Directors as referred to in paragraph (e) below, until (i) the conclusion of the first annual general meeting of the Company following the passing of this Resolution, or the date by which the next annual general meeting of the Company is required by the Articles or any applicable law to be held, at which time the mandate shall lapse unless the authority conferred by the mandate is renewed by ordinary resolution of the Shareholders at that meeting or (ii) the passing of an ordinary resolution by the Shareholders in general meeting varying or revoking the mandate granted to the Directors, whichever occurs first;
- (e) a general unconditional mandate be and is hereby granted to the Directors to exercise all powers of the Company to repurchase, on the Stock Exchange and/or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with all applicable laws and requirements of the Main Board of the Stock Exchange (or of such other stock exchange), Shares in aggregate not exceeding 10% of the total number of Shares in issue (excluding treasury shares of our Company) immediately after completion of the Global Offering and the Capitalisation Issue (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option), until (A) the conclusion of the first annual general meeting of the Company following the passing of this Resolution, or the date by which the next annual general meeting of the Company is required by the Articles or any applicable law to be held, at which time the mandate shall lapse unless the authority conferred by the mandate is renewed by ordinary resolution of the Shareholders at that meeting or (B) the passing of an ordinary resolution by the Shareholders in general meeting varying or revoking the mandate granted to the Directors, whichever occurs first;



- (f) a general unconditional mandate mentioned in paragraph (d) above be and is hereby extended by the addition to the total number of Shares in issue which may be allotted or agreed (conditionally or unconditionally) to be allotted or issued by the Directors pursuant to such general mandate of an amount representing the total number of Shares repurchased by the Company pursuant to the mandate to repurchase Shares as referred to in paragraph (e), provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option); and
- (g) with the effect from and conditional upon the Listing, the rules and terms of the Post-IPO RSU Scheme were approved and adopted, and our Directors or any committee thereof established by our Board were authorized, at their sole discretion, to: (a) administer the Post-IPO RSU Scheme; (b) modify/amend the Post-IPO RSU Scheme from time to time as requested by the Stock Exchange; (c) grant awards under the Post-IPO RSU Scheme in accordance with the terms thereof; and (d) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Post-IPO RSU Scheme.

## **5. Corporate Reorganisation**

The companies comprising our Group underwent the Reorganisation in preparation for the listing of our Shares on the Stock Exchange. For details, please refer to the section headed “History and Reorganisation” in this prospectus.

## **6. Repurchases by our Company of its own Securities**

This section sets out the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

### **(a) *Provisions of the Listing Rules***

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

#### **(i) *Shareholder’s approval***

All proposed repurchase of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution of our Company passed by Shareholder on 14 May 2024, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of not more than 10% of the number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles of Association and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Subject to the foregoing, any repurchases by our Company may be made out of the profits of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company. Subject to the Cayman Companies Act, a repurchase may also be made out of capital.

(iii) *Trading restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue immediately after the completion of its listing. A company may not (a) issue or announce a proposed issue of new securities; or (b) sell or transfer or announce a proposed sale or transfer of treasury shares, in compliance with the Listing Rules, 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. Such restriction does not apply to (i) a new issue of Shares, or a sale or transfer of treasury shares under the Capitalisation Issue; (ii) a grant of share awards or options under a share scheme that complies with Chapter 17 of the Listing Rules or a new issue of Shares or a transfer of treasury shares upon vesting or exercise of shares awards or options under the share scheme that complies with Chapter 17 of the Listing Rules; and (iii) a new issue of Shares or a transfer of treasury shares pursuant to the exercise of warrants, share options or

similar instruments requiring our Company to issue Shares or transfer treasury shares, which were outstanding prior to the purchase of its own Shares. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if that repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) *Status of repurchased Shares*

The listing of all purchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relevant certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, unless our Directors resolve to hold the shares purchased by our Company as treasury shares prior to the purchase, shares purchased by our Company shall be treated as cancelled and the amount of our Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorised share capital of the Company under the Cayman Companies Act.

(v) *Suspension of repurchase*

A listed company may not make any repurchase of securities after inside information has come to its knowledge until such time as the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (1) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules) and (2) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarter or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Hong Kong Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) *Reporting Requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day following any day on which the listed company may take a purchase of securities. The report must state the total number of shares purchased the previous day, the purchase price per share or the highest and lowest prices paid for such purchases. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) *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 our Company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his/her/ its securities to our Company.

**(b) *Reasons for Repurchases***

Our Directors believe that it is in the interests of our Company and the Shareholders to have general authority from the Shareholders to enable the Directors to repurchase Shares in the market. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. The Directors have sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

**(c) *Funding of Repurchases***

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with its Memorandum and Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

There could be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate was to be carried out in full at any time during the share repurchase period. However, the Directors do not propose to exercise the repurchase

mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Company.

The exercise in full of the Repurchase Mandate, on the basis of 460,000,000 Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering, could accordingly result in up to 46,000,000 Shares being repurchased by our Company during the period prior to:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiry of the period within which our Company is required by the Articles or any applicable law to hold its annual general meeting; or
- (iii) the variation or revocation by an ordinary resolution of the Shareholders passed in a general meeting,

whichever is the earliest.

**(d) *General***

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates has any present intention to sell any Shares to our Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands. Our Company has not repurchased any Shares since our incorporation.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeover Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the total Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person of our Company has notified us that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## **B. FURTHER INFORMATION ABOUT OUR BUSINESS**

### **1. Summary of material contracts**

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

- (1) the exclusive business cooperation agreement dated 28 March 2023 entered into among Wuxi Lingjingyun, Cloud Factory and the Registered Shareholders, in exchange for a monthly service fee, pursuant to which Cloud Factory agreed to engage Wuxi Lingjingyun as its exclusive service provider of technical support, consultation and other services;
- (2) the exclusive business cooperation agreement dated 26 September 2023 entered into among Wuxi Lingjingyun, Jiangsu Yiru and Cloud Factory, in exchange for a monthly service fee, pursuant to which Jiangsu Yiru agreed to engage Wuxi Lingjingyun as its exclusive service provider of technical support, consultation and other services;
- (3) the exclusive business cooperation agreement dated 26 September 2023 entered into among Wuxi Lingjingyun, Shandong Dianya and Cloud Factory, in exchange for a monthly service fee, pursuant to which Shandong Dianya agreed to engage Wuxi Lingjingyun as its exclusive service provider of technical support, consultation and other services;
- (4) the exclusive business cooperation agreement dated 26 September 2023 entered into among Wuxi Lingjingyun, Yun Ruitian and Jiangsu Yiru, in exchange for a monthly service fee, pursuant to which Yun Ruitian agreed to engage Wuxi Lingjingyun as its exclusive service provider of technical support, consultation and other services;
- (5) the exclusive option agreement dated 28 March 2023 entered into among Wuxi Lingjingyun, Cloud Factory and the Registered Shareholders, pursuant to which Cloud Factory and the Registered Shareholders agreed to grant Wuxi Lingjingyun an irrevocable and exclusive right to require each of the Registered Shareholders to transfer any or all their equity interests in Cloud Factory, and Cloud Factory to transfer any or all of the assets it held, to Wuxi Lingjingyun and/or a third party designated by it, at any time and from time to time, at RMB10 or the lowest purchase price that is permitted by the PRC laws if such price is higher than RMB10 at the time of exercising the right;

- (6) the exclusive option agreement dated 26 September 2023 entered into among Wuxi Lingjingyun, Jiangsu Yiru and Cloud Factory, pursuant to which Jiangsu Yiru and Cloud Factory agreed to grant Wuxi Lingjingyun an irrevocable and exclusive right to require Cloud Factory to transfer any or all its equity interests in Jiangsu Yiru, and Jiangsu Yiru to transfer any or all of the assets it held, to Wuxi Lingjingyun and/or a third party designated by it, at any time and from time to time, at RMB10 or the lowest purchase price that is permitted by the PRC laws if such price is higher than RMB10 at the time of exercising the right;
- (7) the exclusive option agreement dated 26 September 2023 entered into among Wuxi Lingjingyun, Shandong Dianya and Cloud Factory, pursuant to which Shandong Dianya and Cloud Factory agreed to grant Wuxi Lingjingyun an irrevocable and exclusive right to require Cloud Factory to transfer any or all its equity interests in Shandong Dianya, and Shandong Dianya to transfer any or all of the assets it held, to Wuxi Lingjingyun and/or a third party designated by it, at any time and from time to time, at RMB10 or the lowest purchase price that is permitted by the PRC laws if such price is higher than RMB10 at the time of exercising the right;
- (8) the exclusive option agreement dated 26 September 2023 entered into among Wuxi Lingjingyun, Yun Ruitian and Jiangsu Yiru, pursuant to which Yun Ruitian and Jiangsu Yiru agreed to grant Wuxi Lingjingyun an irrevocable and exclusive right to require Jiangsu Yiru to transfer any or all its equity interests in Yun Ruitian, and Yun Ruitian to transfer any or all of the assets it held, to Wuxi Lingjingyun and/or a third party designated by it, at any time and from time to time, at RMB10 or the lowest purchase price that is permitted by the PRC laws if such price is higher than RMB10 at the time of exercising the right;
- (9) the equity pledge agreement dated 28 March 2023 entered into among Wuxi Lingjingyun, Cloud Factory and Jiangsu Hanju and Wuxi Bangtai, being two of the Registered Shareholders, pursuant to which Jiangsu Hanju and Wuxi Bangtai agreed to pledge all their respective equity interests in Cloud Factory that they own, including any dividend or other benefits arising therefrom, to Wuxi Lingjingyun as a security to guarantee the performance of contractual obligations under the exclusive business cooperation agreements, the exclusive option agreements and the powers of attorney;
- (10) the equity pledge agreement dated 26 September 2023 entered into among Wuxi Lingjingyun, Jiangsu Yiru and Cloud Factory, pursuant to which Cloud Factory agreed to pledge all its equity interests in Jiangsu Yiru that it owns, including any dividend or other benefits arising therefrom, to Wuxi Lingjingyun as a security to guarantee the performance of contractual obligations under the exclusive business cooperation agreement, the exclusive option agreement and the powers of attorney;



- (11) the equity pledge agreement dated 26 September 2023 entered into among Wuxi Lingjingyun, Shandong Dianya and Cloud Factory, pursuant to which Cloud Factory agreed to pledge all its equity interests in Shandong Dianya that it owns, including any dividend or other benefits arising therefrom, to Wuxi Lingjingyun as a security to guarantee the performance of contractual obligations under the exclusive business cooperation agreement, the exclusive option agreement and the powers of attorney;
- (12) the equity pledge agreement dated 26 September 2023 entered into among Wuxi Lingjingyun, Yun Ruitian and Jiangsu Yiru, pursuant to which Jiangsu Yiru agreed to pledge all its equity interests in Yun Ruitian that it owns, including any dividend or other benefits arising therefrom, to Wuxi Lingjingyun as a security to guarantee the performance of contractual obligations under the exclusive business cooperation agreement, the exclusive option agreement and the powers of attorney;
- (13) a power of attorney dated 28 March 2023 executed by Wuxi Bangtai and Wuxi Lingjingyun, pursuant to which Wuxi Bangtai covenanted that it irrevocably appointed Wuxi Lingjingyun and any person designated by Wuxi Lingjingyun as its proxy to manage its equity interest in Cloud Factory and exercise all its shareholder's rights in Cloud Factory;
- (14) a power of attorney dated 28 March 2023 executed by Jiangsu Hanju and Wuxi Lingjingyun, pursuant to which Jiangsu Hanju covenanted that it irrevocably appointed Wuxi Lingjingyun and any person designated by Wuxi Lingjingyun as its proxy to manage its equity interest in Cloud Factory and exercise all its shareholder's rights in Cloud Factory;
- (15) a power of attorney dated 26 September 2023 executed by Cloud Factory and Wuxi Lingjingyun, pursuant to which Cloud Factory covenanted that it irrevocably appointed Wuxi Lingjingyun and any person designated by Wuxi Lingjingyun as its proxy to manage its equity interest in Jiangsu Yiru and exercise all its shareholder's rights in Jiangsu Yiru;
- (16) a power of attorney dated 26 September 2023 executed by Cloud Factory and Wuxi Lingjingyun, pursuant to which Cloud Factory covenanted that it irrevocably appointed Wuxi Lingjingyun and any person designated by Wuxi Lingjingyun as its proxy to manage its equity interest in Shandong Dianya and exercise all its shareholder's rights in Shandong Dianya;
- (17) a power of attorney dated 26 September 2023 executed by Jiangsu Yiru and Wuxi Lingjingyun, pursuant to which Jiangsu Yiru covenanted that it irrevocably appointed Wuxi Lingjingyun and any person designated by Wuxi Lingjingyun as its proxy to manage its equity interest in Yun Ruitian and exercise all its shareholder's rights in Yun Ruitian;



- (18) an undertaking dated 28 March 2023 entered into by Mr. Sun, pursuant to which he undertakes that (i) his spouse (where applicable) does not own and does not have the right to claim any interests in the equity interest of Cloud Factory (together with any other interests therein); (ii) where applicable, in the event of his death, incapacity, divorce or any other event which causes his inability to exercise his rights as a shareholder of Cloud Factory, his successors including his spouse will not, under any circumstance in any way, take any action, when such action may affect or hinder himself in performing his obligations under the exclusive business cooperation agreements, the exclusive option agreements, the equity pledge agreements and the powers of attorney; (iii) he will not directly or indirectly participate in, engage in, hold interest of or profit from any competing business or potentially competing business by utilising any information obtained in the operation of Cloud Factory and its subsidiaries; (iv) in case of potential or actual conflict of interest with Cloud Factory, Wuxi Lingjingyun or their associated companies, he will not cause any adverse impact on Cloud Factory, Wuxi Lingjingyun and their associated companies and will use his best endeavour to eliminate such conflicts in time; and (v) in case he assume directorship or senior management roles of Wuxi Lingjingyun and its associated companies, he shall assign all rights and obligations under the powers of attorney to Wuxi Lingjingyun or other directors or senior management members designated by Wuxi Lingjingyun;
- (19) the equity increase agreement (增資協議) dated 3 April 2023 entered into between Hainan Yunzhi as the investor, Cloud Factory HK and Mr. Sun as the founding shareholders and Wuxi Lingjingyun as the target company pursuant to which Hainan Yunzhi agreed to invest RMB25,000,000 in Wuxi Lingjingyun for 1.39% in the equity interest in Wuxi Lingjingyun, as enlarged by the equity increase thereunder and pursuant to which the registered capital of Wuxi Lingjingyun in increase from RMB8,000,000 to RMB8,112,867;
- (20) the Deed of Indemnity; and
- (21) the Hong Kong Underwriting Agreement.

## 2. Intellectual property rights of our Group





### (a) Trademarks

#### (i) Trademarks registered in China

As at the Latest Practicable Date, our Group had registered the following trademarks in the PRC which we consider to be material to our Group's business:

No.	Trademark	Registered owner	Registration number	Expiry date	Class(es)
1		Jiangsu Yiru	43430186	6 December 2030	42
2		Jiangsu Yiru	58502278	6 February 2032	42
3		Shandong Dianya	52749387	13 October 2031	42
4		Cloud Factory	58708358	27 April 2032	42
5		Cloud Factory	64108645	20 December 2032	9 and 42
6		Yun Ruitian	63517842	6 December 2032	42

#### (ii) Trademark registered in Hong Kong

No.	Trademark	Name of applicant	Application number	Application date	Place of application	Class(es)	Status
1		Cloud Factory	305772015	15 October 2021	Hong Kong	9, 35, 38, 42	Registered
2		Cloud Factory	305772024	15 October 2021	Hong Kong	9, 35, 38, 42	Registered
3		Cloud Factory	305772006	15 October 2021	Hong Kong	9, 35, 38, 42	Registered
4		Cloud Factory	305772033	15 October 2021	Hong Kong	9, 35, 38, 42	Registered
5	CLOUD FACTORY	Cloud Factory	305772051	15 October 2021	Hong Kong	9, 35, 38, 42	Registered

(b) *Copyrights*(i) *Software copyrights*

As at the Latest Practicable Date, our Group had registered the following software copyrights which we consider to be material to our Group's business:

<u>No.</u>	<u>Copyright</u>	<u>Registered owner</u>	<u>Registration number</u>	<u>Registration date</u>
1	Yiru Game Platform Accelerator Management System V1.0 (意如遊戲平台加速器管理系統V1.0)	Jiangsu Yiru	2018SR201547	26 March 2018
2	Cloud Factory Network Traffic Management Platform V1.2 (雲工場流量管理平台V1.2)	Cloud Factory	2017SR597829	1 November 2017
3	Cloud Factory WeChat Traffic Management Platform V1.0 (雲工場微信流量管理平台V1.0)	Cloud Factory	2017SR598253	1 November 2017
4	Cloud Factory PC Port Monitoring Platform (雲工場PC端業務監控平台V1.0)	Cloud Factory	2017SR603398	3 November 2017
5	Cloud Factory Power Grid Flash Broken Analysis Platform (雲工場電源閃斷裝置統計平台V1.0)	Cloud Factory	2017SR604599	6 November 2017
6	Cloud Factory Android Traffic Management Analysis Platform (雲工場安卓端流量管理統計平台V1.0)	Cloud Factory	2017SR605070	6 November 2017
7	Cloud Factory Web Monitoring Platform V1.0 (雲工場web端業務監控平台V1.0)	Cloud Factory	2017SR605755	6 November 2017
8	Cloud Factory Alert Device Platform V1.0 (雲工場警報裝置平台V1.0)	Cloud Factory	2017SR605761	6 November 2017
9	Cloud Factory iOS Traffic Management Analysis Platform V1.0 (雲工場iOS端流量管理統計平台V1.0)	Cloud Factory	2017SR612499	8 November 2017
10	Cloud Factory Network Connection Monitoring System V1.0 (雲工場網絡連通性監控軟件V1.0)	Cloud Factory	2018SR632015	9 August 2018
11	Cloud Factory Network Device Setting and Time-fixed Backup Software V1.0 (雲工場網絡設備配置文件定時備份軟件V1.0)	Cloud Factory	2018SR633870	9 August 2018

<u>No.</u>	<u>Copyright</u>	<u>Registered owner</u>	<u>Registration number</u>	<u>Registration date</u>
12	Cloud Factory IDC Network Quality Testing System V1.0 (雲工場IDC機房網絡質量檢測軟件V1.0)	Cloud Factory	2018SR645983	14 August 2018
13	Cloud Factory Network Traffic Monitoring System V1.0 (雲工場網絡流量監控軟件V1.0)	Cloud Factory	2018SR644626	13 August 2018
14	IDC Remote System and Deployment System V1.0 (IDC遠程系統部署系統V1.0)	Cloud Factory	2019SR0551186	31 May 2019
15	Internet Information Centre Network Device Monitoring System V1.0 (互聯網數據中心網絡設備監控系統V1.0)	Cloud Factory	2019SR0553510	31 May 2019
16	Corporate Private Cloud Drive Application System V1.0 (企業私有雲盤平台應用系統V1.0)	Cloud Factory	2019SR0550729	31 May 2019
17	Internet Information Centre Dynamic Smart Frequency Adjustment Software V1.0 (互聯網數據中心帶寬智能動態調整軟件V1.0)	Cloud Factory	2019SR0551167	31 May 2019
18	Internet Information Centre Device Unified Remote System and Management System V1.0 (互聯網數據中心設備統一遠程管理系統V1.0)	Cloud Factory	2019SR0550741	31 May 2019
19	Jiangsu Cloud Factory Micro-Corporate Display Application Platform Software V1.0 (江蘇雲工場雲微企業展示小程序平台軟件V1.0)	Cloud Factory	2020SR0700783	30 June 2020
20	Jiangsu Cloud Factory Micro-Mall Application Platform System V1.0 (江蘇雲工場雲微商城小程序平台軟件V1.0)	Cloud Factory	2020SR0726783	6 July 2020
21	Jiangsu Cloud Factory Micro-Catering Application Platform System V1.0 (江蘇雲工場雲微餐飲小程序平台軟件V1.0)	Cloud Factory	2020SR0742460	8 July 2020
22	Jiangsu Cloud Factory Micro-Real Estate Application Platform System V1.0 (江蘇雲工場雲微物業小程序平台軟件V1.0)	Cloud Factory	2020SR0744320	9 July 2020

<u>No.</u>	<u>Copyright</u>	<u>Registered owner</u>	<u>Registration number</u>	<u>Registration date</u>
23	Jiangsu Cloud Factory Micro-Beauty Application Platform Software V1.0 (江蘇雲工場雲微美業小程序平台軟件V1.0)	Cloud Factory	2020SR0745252	9 July 2020
24	Jiangsu Cloud Factory Micro-Tourism Application Platform Software V1.0 (江蘇雲工場雲微旅遊小程序平台軟件V1.0)	Cloud Factory	2020SR0745259	8 July 2020
25	Jiangsu Cloud Factory Micro-Hotel Application Platform Software V1.0 (江蘇雲工場雲微酒店小程序平台軟件V1.0)	Cloud Factory	2020SR0736961	14 July 2020
26	Jiangsu Cloud Factory Micro-Education Application Platform Software V1.0 (江蘇雲工場雲微教育小程序平台軟件V1.0)	Cloud Factory	2020SR0771756	8 July 2020
27	Jiangsu Cloud Factory Micro-Real Estate Application Platform Software V1.0 (江蘇雲工場雲微房產小程序平台軟件V1.0)	Cloud Factory	2020SR0742453	13 August 2020
28	New Energy Vehicles Multi-Functions Internet of Vehicles System V1.0 (新能源汽車多功能車聯網系統V1.0)	Cloud Factory	2020SR1716184	2 December 2020
29	Intelligent Navigation and Automated Driverless Driving System V1.0 (智能導航自動無人駕駛系統V1.0)	Cloud Factory	2020SR1716183	2 December 2020
30	MINI-WAN Trade Accelerate System V1.0 (MINI-WAN外貿加速軟件V1.0)	Cloud Factory	2021SR0733755	20 May 2021
31	Lingjing Cloud CDN Service Traffic Statistical System V1.0 (雲工場靈境雲CDN服務用量統計系統V1.0)	Cloud Factory	2022SR1459251	3 November 2022
32	Lingjing Cloud CDN Cache Refresh Warm-up System V1.0 (雲工場靈境雲CDN緩存刷新預熱系統V1.0)	Cloud Factory	2022SR1481361	8 November 2022
33	Lingjing Cloud CDN Daily Scheduling Analysis System V1.0 (雲工場靈境雲CDN日誌分析系統V1.0)	Cloud Factory	2022SR1479759	8 November 2022

<u>No.</u>	<u>Copyright</u>	<u>Registered owner</u>	<u>Registration number</u>	<u>Registration date</u>
34	Lingjing Cloud DSN Resolution System for CDN Service V1.0 (雲工場靈境雲CDN服務DNS解析系統V1.0)	Cloud Factory	2023SR0258590	17 February 2023
35	Lingjing Cloud Management and Acceleration of Service Configuration System for CDN Domain Name V1.0 (雲工場靈境雲CDN域名管理與加速服務配置系統V1.0)	Cloud Factory	2023SR0260706	17 February 2023
36	Lingjing Cloud CDN Service Adjustment Strategic Management Platform V1.0 (雲工場靈境雲CDN服務調度策略管理平台V1.0)	Cloud Factory	2023SR0260271	17 February 2023
37	Lingjing Cloud CRM Employee Account and Authority Management System V1.0 (雲工場靈境雲CRM員工賬號與權限管理系統V1.0)	Cloud Factory	2023SR0268761	21 February 2023
38	Lingjing Cloud Billing and Charging System V1.0 (雲工場靈境雲CDN賬單與扣費系統V1.0)	Cloud Factory	2023SR0274548	23 February 2023
39	Lingjing Cloud CDN Service Certification and Safety Management System V1.0 (雲工場靈境雲CDN服務證書與安全管理系統V1.0)	Cloud Factory	2023SR0274500	23 February 2023
40	Lingjing Cloud CDN Service Billing System V1.0 (雲工場靈境雲CDN服務計費系統V1.0)	Cloud Factory	2023SR0285458	28 February 2023
41	Lingjing Cloud CDN-fused Manufacturer Service Configuration System V1.0 (雲工場靈境雲CDN融合廠商服務配置系統V1.0)	Cloud Factory	2023SR1099035	19 September 2023
42	Lingjing Cloud Intelligent Road Inspection EdgeAIoT platform V1.0 (雲工場靈境雲道路智能巡檢EdgeAIoT平台V1.0)	Cloud Factory	2023SR1108076	20 September 2023
43	Lingjing Cloud Mingchu Liangzao Edge Intelligent Internet of Things EdgeAIoT Platform (雲工場靈境雲明廚亮灶邊緣智能萬物互聯EdgeAIoT平台)	Cloud Factory	2023SR1458353	17 November 2023

<u>No.</u>	<u>Copyright</u>	<u>Registered owner</u>	<u>Registration number</u>	<u>Registration date</u>
44	Lingjing Cloud Intelligent Road Patrolling Full Process Management and Monitoring Platform (雲工場靈境雲道路智能巡檢全流程管理與監控平台)	Cloud Factory	2024SR0237082	6 February 2024

(ii) *Copyrights of works*

As at the Latest Practicable Date, our Group had registered the following copyrights of works which we consider to be material to our Group's business:

<u>No.</u>	<u>Copyright</u>	<u>Type of work(s)</u>	<u>Registered owner</u>	<u>Registration number</u>	<u>First publication date</u>
1	worki	Art (美術)	Cloud Factory	蘇作登字-2022-F-00086985	3 September 2021
2	Lingjing Cloud (靈境雲)	Art (美術)	Cloud Factory	蘇作登字-2022-F-00087011	1 April 2022

(c) *Patents*

As at the Latest Practicable Date, our Group had registered the following patents which we consider to be material to our Group's business:

<u>No.</u>	<u>Patent</u>	<u>Patentee</u>	<u>Patent number</u>	<u>Application date</u>
1	A network rack with self-monitoring function (一種具有自監控功能的網絡機組櫃)	Cloud Factory	2016210662008	20 September 2016
2	An explosion-proof network switch (一種防斷電隔爆型網絡交換機)	Cloud Factory	2016212418395	21 November 2016
3	A network security device through power supply from switches (一種通過交換機供電的網絡防護裝置)	Cloud Factory	2016212420520	21 November 2016
4	A device for preventing power grid flash broken of server racks (一種防止機櫃電源閃斷的裝置)	Cloud Factory	2017212083339	20 September 2017
5	A device for alternating current switching (一種交換機電源交直流轉換裝置)	Cloud Factory	2017212173585	20 September 2017
6	A remote switch control device (一種遠程交換機控制裝置)	Cloud Factory	201721209039X	20 September 2017

<u>No.</u>	<u>Patent</u>	<u>Patentee</u>	<u>Patent number</u>	<u>Application date</u>
7	A safety alarm device for Internet of Things server racks (一種物聯網機櫃報警裝置)	Cloud Factory	2017212083254	20 September 2017
8	A safety alarm device for Internet of Things firewalls (一種物聯網防火牆報警裝置)	Cloud Factory	2018212299925	1 August 2018
9	A safety alarm device for Internet of Things server racks (一種物聯網機櫃報警裝置)	Cloud Factory	201821228710X	1 August 2018
10	A control panel for server operation (服務器運維控制箱)	Cloud Factory	2019205973299	28 April 2019
11	A display device for server operation status (服務器運行狀態顯示裝置)	Cloud Factory	2019205981863	28 April 2019
12	A server for preventing power supply interruption and protecting data (一種防斷電數據保護服務器)	Cloud Factory	201920602686X	28 April 2019
13	A server with GPS locating function (一種具有位置定位功能服務器)	Cloud Factory	2019205973566	28 April 2019
14	A safety alarm device for Internet of Things firewalls (物聯網防火牆報警裝置)	Cloud Factory	2019205973301	28 April 2019
15	A safety alarm device for server operation failures (一種服務器運行故障報警裝置)	Cloud Factory	2019205973585	28 April 2019
16	A control panel for operation (運維控制箱)	Cloud Factory	2019206013677	28 April 2019
17	An alarm device for testing network interface configuration changes (一種網絡設備接口狀態變化檢測告警設備)	Cloud Factory	2020207374656	7 May 2020
18	An aerosol density tester for low temperature closed server room (低溫密閉機房氣溶膠密度檢測儀)	Cloud Factory	2020207607247	9 May 2020
19	A multi-function server rack (一種多功能機櫃)	Cloud Factory	2020218654133	31 August 2020



No.	Patent	Patentee	Patent number	Application date
20	A distributed testing device for routing node (一種路由節點連通分佈式探測裝置)	Cloud Factory	2020219749963	10 September 2020
21	An automated collection device for IDC network quality (一種IDC機房網絡質量自動收集裝置)	Cloud Factory	2020219785300	10 September 2020
22	A device for detecting flying insects in server rooms (機房飛蟲檢測)	Cloud Factory	2020219738738	10 September 2020
23	A device for the optimisation of cached data (一種數據緩存優化裝置)	Cloud Factory	2020228925235	2 December 2020
24	An intelligent driverless forklift truck (一種智能無人駕駛叉車)	Cloud Factory	2020228920250	2 December 2020
25	A punching device for data cache hard disk production (一種數據緩存硬盤生產用打孔裝置)	Cloud Factory	2020228947022	2 December 2020
26	An intelligent drip irrigation control system and irrigation system for potatoes (馬鈴薯智能灌溉控制系統及灌溉系統)	Cloud Factory and Academy of Agricultural Sciences and Institute of Technology Information of Shandong Province (山東省農業科學院科技信息研究所)	2021203521862	8 February 2021
27	A smart storage system for potatoes (馬鈴薯智慧倉儲系統)	Cloud Factory and Academy of Agricultural Sciences and Institute of Technology Information of Shandong Province (山東省農業科學院科技信息研究所)	202110180754X	8 February 2021
28	A method and system for AGV driverless driving (一種AGV無人自動駕駛控制方法及系統)	Cloud Factory	2021107671897	7 July 2021

No.	Patent	Patentee	Patent number	Application date
29	A scheduling method based on CDN content (一種基於CDN的內容調度方法)	Cloud Factory	2021107671914	7 July 2021
30	A method and device for fertigation and machine control integration (一種肥水一體機控制方法及裝置)	Cloud Factory	2021107671882	7 July 2021
31	An automatic scheduling method device for CDN nodes (一種CDN節點的自動編排方法及裝置)	Cloud Factory	2021115641291	20 December 2021
32	A method and device for monitoring of CDN nodes full link (一種CDN節點全鏈路監控方法及裝置)	Cloud Factory	2021115597212	20 December 2021
33	A CDN-based method and device for generation of dynamic documents (一種基於CDN的動態文檔生成方法及裝置)	Cloud Factory	2021115640034	20 December 2021
34	A method and device for CDN node-based content push (一種基於CDN節點的內容推送方法以及裝置)	Cloud Factory	2021116805087	30 December 2021
35	A monitoring device for server system services (一種服務器系統服務監控裝置)	Cloud Factory	2022223669496	6 September 2022
36	A modulation device for switch port (一種交換機端口調流裝置)	Cloud Factory	2022223792128	6 September 2022
37	A system for graphic displays of data (一種數據圖形化展示系統)	Cloud Factory	202222379635X	7 September 2022
38	A traffic collection device for switch port (一種交換機端口流量採集裝置)	Cloud Factory	2022223785317	7 September 2022
39	A temperature monitoring device for cabinet (一種機櫃溫度監測裝置)	Cloud Factory	2022227564898	19 October 2022
40	An automatic locking device for cabinets (一種機櫃自動上鎖裝置)	Cloud Factory	2022227595383	19 October 2022
41	An information display device for data processing (一種數據處理用信息展示裝置)	Cloud Factory	2022227577614	19 October 2022

No.	Patent	Patentee	Patent number	Application date
42	An anti-loop detection device for switch networks (一種交換機網絡防環路檢測裝置)	Cloud Factory	2022227573079	19 October 2022
43	A detection device for server power (一種服務器功率檢測裝置)	Cloud Factory	2022227876955	19 October 2022
44	A method and device for high reliability backhaul of CDN logs (一種高可靠回傳CDN日誌的方法及裝置)	Cloud Factory	2022115697056	8 December 2022
45	A method and device for supporting batch refreshing of CDN cache (一種支持CDN緩存批量刷新的方法及裝置)	Cloud Factory	2022116120351	15 December 2022
46	A method and device for refreshing CDN cache (一種刷新CDN緩存的方法及裝置)	Cloud Factory	202211680741X	27 December 2022
47	A distribution method and device for CDN metadata (一種CDN元數據分發方法及裝置)	Cloud Factory	2022117044393	29 December 2022
48	A method and device for cloud-side collaboration (一種雲邊協同方法及裝置)	Cloud Factory	2023100252567	9 January 2023
49	An adjustment mechanism for PC monitor designated for gaming software R&D (一種遊戲軟件研發用電腦顯示屏調節機構)	Jiangsu Yiru	2018202888228	1 March 2018
50	A multi-purpose PC monitor designated for use in gaming software R&D (一種遊戲軟件研發專用多功能電腦顯示屏)	Jiangsu Yiru	2018202895378	1 March 2018
51	A method and system for edge cloud storage intelligent management (用於邊緣雲儲存的智能管理方法及系統)	Cloud Factory	2023116807749	8 December 2023

**(d) Domain Names**

As at the Latest Practicable Date, our Group had registered the following domain names which we consider to be material to our Group's business:

<b>No.</b>	<b>Domain Name</b>	<b>Registered owner</b>	<b>Registration date</b>	<b>Expiry date</b>
1	dianyasd.com	Shandong Dianya	20 May 2020	20 May 2025
2	cloudruit.cn	Yun Ruitian	21 December 2021	21 December 2025
3	yunruitian.com	Yun Ruitian	18 May 2020	18 May 2025
4	xiaojsh.com	Shanghai Xiaojiang	6 December 2021	6 December 2025
5	xjshcsp.com	Shanghai Xiaojiang	6 December 2021	6 December 2025
6	shxiaojiang.cn	Shanghai Xiaojiang	20 December 2021	20 December 2025
7	dianyacloud.com	Shandong Dianya	22 January 2019	22 January 2026
8	xiaojiangsh.com	Shanghai Xiaojiang	17 September 2021	17 September 2024
9	wupansh.com	Jiangsu Yiru	28 September 2018	28 September 2024
10	yirujsh.com	Jiangsu Yiru	25 November 2021	25 November 2024
11	dysdcsp.com	Shandong Dianya	6 December 2021	6 December 2025
12	shxjiang.com	Shanghai Xiaojiang	25 March 2022	25 March 2025
13	yungongc.com	Cloud Factory	10 January 2022	10 January 2025
14	cloudworki.cn	Cloud Factory	20 December 2021	20 December 2025
15	ljiyun.cn	Cloud Factory	1 May 2019	1 May 2025
16	dyacsp.com	Shandong Dianya	25 March 2022	25 March 2025
17	shxjiang.com	Shanghai Xiaojiang	25 March 2022	25 March 2025
18	cloudcsp.com	Cloud Factory	18 January 2016	18 January 2026
19	ljcdn1.cn	Cloud Factory	2 June 2022	2 June 2026
20	yirucloud.cn	Jiangsu Yiru	25 March 2022	25 March 2025
21	ljgslb.com	Cloud Factory	21 October 2022	21 October 2025
22	jsygc.cn	Cloud Factory	10 January 2022	10 January 2025
23	ljcdn.cn	Cloud Factory	2 June 2022	2 June 2026
24	ljcdn2.cn	Cloud Factory	2 June 2022	2 June 2026
25	hengzhihushun.com	Cloud Factory	5 June 2020	5 June 2026
26	dyacsp.cn	Shandong Dianya	25 March 2022	25 March 2025
27	yirucloud.com	Jiangsu Yiru	25 March 2022	25 March 2025
28	yrliuliang.com	Jiangsu Yiru	5 July 2017	5 July 2026
29	hongruike.com	Cloud Factory	5 June 2020	5 June 2026
30	ftycloud.cn	Jiangsu Yiru	12 December 2019	12 December 2025
31	dianyacsp.com	Shandong Dianya	22 May 2019	22 May 2026
32	daycsp.cn	Shandong Dianya	22 September 2023	22 September 2026
33	dycsp.cn	Shandong Dianya	22 September 2023	22 September 2026
34	huatongyun.cn	Cloud Factory	20 December 2021	20 December 2025

Save as disclosed above, as at the Latest Practicable Date, there were no other trademarks, service marks, patents, intellectual property rights, or individual property rights which are or may be material in relation to our business.

**C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

**1. Interests disclosable under the SFO and Substantial Shareholders**

**(a) *Directors' interests and short positions in the share capital and debentures of our Company and its associated corporations***

Immediately following completion of the Capitalisation Issue and the Global Offering (but without taking account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option), the interests or short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange, will be as follows:

**(i) *Interests/short positions in the Shares of our Company***

<u>Name of Director or Chief Executive</u>	<u>Nature of interest<sup>(1)</sup></u>	<u>Number of Shares Interested upon Listing</u>	<u>Approximate percentage of Shareholding upon Listing<sup>(2)</sup></u>
Mr. Sun	Interest of controlled corporation	345,000,000	75%

*Notes:*

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of Shares in issue immediately following the completion of Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised).

(ii) *Interest in associated corporation*

<u>Name of Director</u>	<u>Nature of interest</u>	<u>Name of associated corporation</u>	<u>Approximate percentage of Shareholding</u>
Mr. Sun	Beneficial owner	Ru Yi IT <sup>(Note)</sup>	100%

*Note:*

Ru Yi IT is the holding company of our Company and therefore “associated corporations” of our Company within the meaning of Part XV of the SFO. Immediately following the completion of Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), Ru Yi IT held 75% of the total share capital of our Company.

(b) *Substantial Shareholders*

Save as referred to in the section headed “Substantial Shareholders” in this prospectus, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has any interest or short position in the Shares and underlying Shares of our Company which, once the Shares are listed, would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly interested in 10% or more of the issued voting shares of our Company.

**2. Particulars of service contracts**(a) *Executive Directors*

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from the date of appointment or until the third annual general meeting of our Company since the Listing Date (whichever ends earlier). Either party has the right to give not less than one month’s written notice to terminate the agreement.

The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

(b) *Independent Non-executive Directors*

Each of the independent non-executive Directors has entered into an appointment letter with our Company. The initial term for their appointment letters shall be three years from the Listing Date or until the third annual general meeting of the Company since the Listing Date (whichever ends earlier). Either party has the right to give not less

than one month's written notice to terminate the agreement. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee.

The appointments of the independent non-executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

**(c) *Director remuneration***

Save as disclosed above, none of our Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payments of compensation other than statutory compensation).

The aggregate amount of remuneration (including fees, salaries, bonuses, allowances and other benefits in kind such as contributions to pension plans) of our Directors for the years ended 31 December 2021, 2022 and 2023 were approximately RMB4.0 million, RMB6.6 million and RMB6.9 million, respectively.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the years ended 31 December 2021, 2022 and 2023.

Save as disclosed above, no other amounts have been paid or are payable by any member of our Group to our Directors for the years ended 31 December 2021, 2022 and 2023.

Pursuant to the existing arrangements that are currently in force as at the date of this prospectus, the amount of remuneration (including benefits in kind but excluding discretionary bonuses) payable to our Directors by our Company for the year ending 31 December 2024 is estimated to be RMB8.5 million in aggregate. During the Track Record Period, no remuneration was paid to our Directors or the five highest-paid individuals as an inducement to join, or upon joining, our Company. No compensation was paid to, or receivable by, our Directors, past Directors or the five highest-paid individuals for the Track Record Period for the loss of office as director of any member of our Group or any other office in connection with the management of the affairs or any member of our Group.

For details of the terms of the above service contracts, please refer to the paragraph headed “— C. Further Information About our Directors and Substantial Shareholders — 2. Particulars of service contracts” in this Appendix.

**3. Fees or commissions received**

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are referred to in the paragraph headed “— F. Other information — 8. Consents of experts” in this Appendix had received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

The Underwriters will receive an underwriting commission as referred to in the paragraph headed “Underwriting — Underwriting arrangements and expenses — The International Offering” in this prospectus.

**4. Related party transactions**

During the two years immediately preceding the date of this prospectus, we have engaged in the significant related party transactions as described in note 31 to the Accountants’ Report in Appendix I to this prospectus.

**D. POST-IPO RSU SCHEME**

The following is a summary of the principal terms of the Post-IPO RSU Scheme conditionally approved and adopted in compliance with the provisions of Chapter 17 of the Listing Rules by resolutions of our Shareholder on 14 May 2024.

**(a) Purpose of the Post-IPO RSU Scheme**

The purposes of the Post-IPO RSU Scheme are: (i) to provide the selected participants (as set out in paragraph (f) below) with an opportunity to acquire a proprietary interest in the Company; (ii) to encourage and retain such individuals to work with our Group; (iii) to provide additional incentive for them to achieve performance goals; (iv) to attract suitable personnel for further development of our Group; and (v) to motivate the selected participants to maximise the value of our Company for the benefits of both the selected participants and our Company, with a view to achieving the objectives of increasing the value of our Company and aligning the interests of the selected participants directly with the Shareholders through ownership of Shares.

**(b) Conditions and Present Status**

The Post-IPO RSU Scheme shall become effective upon the commencement of trading of the Shares on the Stock Exchange.



(c) **Award Shares**

An award (“**Award**”) of the Shares under the Post-IPO RSU Scheme (“**Award Shares**”) gives a selected participant in the Post-IPO RSU Scheme a conditional right, when the Award Shares vest, to obtain Shares as determined by the Board or the administration committee authorised and established by the Board (the “**Administration Committee**”) in its absolute discretion.

(d) **Post-IPO RSU Mandate Limit**

The maximum aggregate number of Award Shares which may be granted pursuant to the Post-IPO RSU Scheme (excluding the Awards and/or the Award Shares that have lapsed in accordance with the rules of the Post-IPO RSU Scheme) shall not exceed 10% of the Shares in issue immediately after Listing (assuming no exercise of the Over-allotment Option) (the “**RSU Mandate Limit**”), subject to the refreshment pursuant to the Listing Rules requirements.

Among the RSU Mandate Limit, the maximum number of Shares which may be granted to Service Providers (as defined below) pursuant to the Post-IPO RSU Scheme (excluding the Awards and/or Award Shares that have lapsed in accordance with the rules of the Post-IPO RSU Scheme) shall not exceed 3% of the Shares in issue immediately after Listing (assuming no exercise of the Over-allotment Option) (the “**Service Provider Sublimit**”), subject to the refreshment pursuant to the Listing Rules requirements.

The aggregate number of Shares issued and to be issued in respect of all options and awards granted to a grantee (excluding any options and awards lapsed in accordance with the terms of the relevant scheme) shall not exceed 1% of the total number of the issued Shares for any 12-month period, unless a grant to that effect has been separately approved by the Shareholders in general meeting, with such grantee and his/her close associates (or associates if the grantee is a connected person) abstaining from voting.

Our Board considers that the Service Providers Sublimit is appropriate and reasonable taking into account (i) the grant of Awards to the Service Providers will be decided on a case-by-case basis based on his/her contributions to the development and growth of our Group from time to time; and (ii) we estimate that the percentage of the number of Award Shares that we intend to grant to the Service Providers will be less than 3% of issued Shares of our Company as at the Listing (assuming no exercise of the Over-allotment Option). Our Directors consider the Service Provider Sublimit to be appropriate and reasonable given our Group’s business needs and such a limit provides our Group with flexibility to provide equity incentives (instead of expending cash resources in the form of monetary consideration) to reward and collaborate with persons who are not employees or officers of our Group, but who may have expertise in their field or who may be able to provide valuable expertise or services to our Group.

**(e) Refresh of the Mandate Limit**

Our Company may seek approval of our Shareholders in the general meeting for refreshing the Post-IPO RSU Mandate Limit (including the Service Provider Sublimit) every three years after the Listing Date or the Shareholder approval date of the last refreshment, as the case may be. However, the Post-IPO RSU Mandate Limit and the Service Provider Sublimit as refreshed shall not exceed 10% and 3% of the total number of Shares in issue as of the date of approval of the Shareholders on the refreshment, respectively. The total number of Shares which may be issued in respect of all options and awards to be granted under all of the schemes of the Company under the scheme mandate as refreshed must not exceed 10% of the Shares in issue as at the date of approval of the refreshed scheme mandate. Any refreshment within any three-year period must be approved by our Shareholders subject to the following or other terms under the applicable Listing Rules and laws and regulations: (i) any Controlling Shareholders (as defined in the Listing Rules) and their associates (or if there is no Controlling Shareholders, Directors (excluding the independent non-executive Directors) and the chief executive of our Company and their respective associates) must abstain from voting in favor of the relevant resolutions at the general meeting.

The Company may seek separate approval of the Shareholders in general meeting for granting Awards beyond the RSU Mandate Limit provided the Awards or underlying Award Shares in excess of the limit are granted only to participants specifically identified by our Company before such approval is sought.

**(f) Selected Participants**

The Board or the Administration Committee may select (i) directors and employees of our Company or any of its subsidiaries (including persons who are granted Awards under the Post-IPO RSU Scheme as an inducement to enter into employment contracts with these companies); (ii) directors and employees of the holding companies, fellow subsidiaries or associated companies of our Company and (iii) persons (or its directors and/or employees if such person providing services is an entity) who provide services to our Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of our Group (excluding placing agents, financial advisers, professional service providers such as auditors and valuers) (the “**Service Providers**”).

Our Board (including the independent non-executive Directors) is of the view that, apart from the contributions from employees and Directors of our Group, the success of our Group might also come from efforts and contributions from non-employees (including Service Providers) who have contributed to our Group or may contribute to our Group in the future. The eligibility of Service Providers to participate in the Post-IPO RSU Scheme is consistent with the purpose of the Post-IPO RSU Scheme, which enables our Group to preserve its cash

resources and use share incentives to encourage persons outside of our Group to contribute to our Group and align the mutual interests of each party, as our Company and the Service Providers, by holding on to equity incentives, will mutually benefit from the long term growth of our Group.

**(g) Duration**

Subject to the fulfillment of the conditions of the Post-IPO RSU Scheme and the termination clause, the Post-IPO RSU Scheme shall be valid and effective for a term of ten years from the Listing Date (the “**Post-IPO RSU Scheme Period**”), after which no further Award shall be granted or accepted, but the provisions of the Post-IPO RSU Scheme shall remain in full force and effect in order to give effect to the vesting and exercise of Awards granted and accepted prior to the expiration of the Post-IPO RSU Scheme Period.

**(h) Administration**

The Post-IPO RSU Scheme shall be subject to the administration of the Board and the trustee in accordance with the rules of the Post-IPO RSU Scheme. The Board may delegate the authority to administer the Post-IPO RSU Scheme to the Administration Committee or appoint one or more persons, entities or contractors (including without limitation the trustee) to assist in the administration of the scheme and delegate such powers and/or functions relating to the administration of the scheme as the Board thinks fit. The Board may also, in its absolute discretion, appoint any trustee to assist with the administration and vesting of the Award Shares granted pursuant to the Post-IPO RSU Scheme. Subject to complying with the Listing Rules, the Administration Committee shall have the sole and absolute discretion to (i) interpret and construe the provisions of the scheme, (ii) determine the persons who will be granted the Awards under the scheme, the terms and conditions on which the Awards are granted and under what conditions will the Awards granted pursuant to the scheme vest, (iii) make such appropriate and equitable adjustments to the terms of the Awards granted under the scheme as it deems necessary and (iv) make such other decisions or determinations as it shall deem appropriate in the administration of the scheme. The decisions of the Board or the Administration Committee on all matters (save for those specifically reserved for determination by the Shareholders in accordance with the Listing Rules) arising in relation to the Post-IPO RSU Scheme or its interpretation or effect shall be final, conclusive and binding on all relevant parties.

To satisfy the Awards after vesting, our Company may, as determined by the Board or the Administration Committee in its absolute discretion:

- (A) allot and issue new Shares to the grantee directly; and/or

- (B) allot and issue new Shares to the trustee, and/or instruct the trustee to acquire existing Shares through on-market or off-market purchases in accordance with our Company's instructions and subject to the terms and conditions of the trust deed (if any), such new and/or existing Shares to be held by the trustee on trust for the grantee and to be transferred to the grantee after vesting,

provided that (i) the trustee holding unvested Award Shares under the Post-IPO RSU Scheme, whether directly or indirectly, shall abstain from voting on matters that require Shareholders' approval under the Listing Rules, unless otherwise required by applicable laws to vote in accordance with the beneficial owner's direction and such a direction is given; and (ii) to the extent any new Shares will be allotted and issued by our Company to satisfy any Award after vesting, such allotment and issue shall be subject to and conditional upon the granting of approval by the Listing Committee for the listing of, and permission to deal in, such number of new Shares which may fall to be allotted and issued.

**(i) Grant of Awards**

The Board or the Administration Committee may, from time to time in its sole and absolute discretion, select any participant to be a selected participant and make an Award to such selected participant on and subject to any terms and conditions that the Board or the Administration Committee may think fit.

**(j) Acceptance of Awards**

If the selected participant intends to accept the offer of grant of Award on the terms and conditions specified in the grant letter, he or she is required to sign the notice of acceptance and return it to our Company within the period and in a manner prescribed in the grant letter. Upon the receipt from the selected participant of a duly executed acceptance notice, the Award is granted to such selected participant, who then becomes a grantee pursuant to the Post-IPO RSU Scheme.

To the extent that the offer of Award is not accepted by any selected participant within the time period or in a manner prescribed in the grant letter, the Award shall become lapsed forthwith.

**(k) Restrictions on grants**

The Administrator shall not grant any Award Shares to any selected participant in any of the following circumstances:

- (1) after inside information (as defined under Part XIVA of the SFO) has come to the knowledge of our Company until (and including) the trading day after such inside information has been announced in accordance with the Listing Rules and the SFO;

- (2) (i) 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 (and including) the publication date of the results; and (ii) 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 (and including) the publication date of the results; and (iii) during any period of delay in publishing a results announcement;
- (3) where the grant of such Award would result in breach of the RSU Mandate Limit and the Service Provider Sublimit or other rules of the Post-IPO RSU Scheme;
- (4) where the grant of such Award is prohibited under the Listing Rules or other applicable laws, regulations or regulatory rules, guidance, codes, decisions or guidelines from time to time;
- (5) where the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of such Award, unless Board or the Administration Committee determines otherwise; or
- (6) in any other circumstances where the requisite approval from any applicable regulatory authorities has not been granted.

**(I) Grant to Connected Persons**

- (a) Any grant of Award to a selected participant who is a Director, chief executive or substantial Shareholder (as defined in the Listing Rules) of our Company or their respective associates under the Post-IPO RSU Scheme shall be subject to the approval of the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Award).
- (b) Where any grant of Award to a Director (other than an independent non-executive Director) or chief executive of the Company, or any of their respective associates would result in the Shares issued and to be issued in respect of all Award Shares and other awards under any other share scheme of the Company or any of its subsidiaries granted (excluding any Award Shares or awards lapsed in accordance with the terms of the scheme) to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Hong Kong Stock Exchange) of the Shares in issue at the relevant time, such further grant of Award Shares must be approved by the Shareholders in the general meeting in accordance with the requirements under the Listing Rules.
- (c) Where any grant of Award to an independent non-executive Director or a substantial Shareholder, or any of their respective associates, would result in the Shares issued and to be issued in respect of all options under any other share

scheme of the Company or any of its subsidiaries and Award Shares granted (excluding any options and Award Shares lapsed in accordance with the terms of the scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Hong Kong Stock Exchange) of the Shares in issue, such further grant of Award Shares must be approved by the Shareholders in general meeting in accordance with the requirements under the Listing Rules.

**(m) Rights attached to Award Shares**

A grantee shall not have any contingent interest, including income, dividend and any other right, in the Award Shares unless and until these Shares are actually transferred to the grantee from the trustee. Furthermore, a grantee may not exercise any voting right in respect of the Award Shares prior to their vesting and exercise and, unless otherwise specified by the Administration Committee in its sole discretion in the grant letter to the grantee, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Award Shares.

**(n) Award Shares to be personal to Grantees**

Any Award made herein shall be personal to the grantee to whom it is made and shall not be assignable other than for the purpose of vesting in his/her lawful successor. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to the Award Shares under the Post-IPO RSU Scheme. If a grantee makes any attempt to sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to the Award Shares, whether voluntarily or involuntarily, the Award will immediately lapse upon the occurrence of such event.

**(o) Vesting**

- (1) The Board or the Administration Committee has the sole discretion to determine the vesting schedule and vesting conditions for any Award to any grantee, which may also be adjusted and re-determined by the Board or the Administration Committee from time to time provided that the vesting period for the Award Shares shall not be less than 12 months unless under specific circumstances as otherwise determined by the Board or the Administration Committee, including but not limited to such specific circumstances as permitted under applicable guidance and the Listing Rules. No general requirements for any performance target have to be achieved before the vesting of the Award Shares unless under specific circumstances as otherwise determined by the Board or the Administration Committee.

- (2) If the Board or the Administration Committee is satisfied that a grantee has satisfied the vesting conditions, the Board or the Administration Committee shall send to the grantee (or his/her legal representative or lawful successor as the case may be) a vesting notice (which may also be made through the designated online or electronic portal facilities) (the “**Vesting Notice**”). The Board or the Administration Committee shall have the sole and absolute discretion in determining whether the Award Shares shall be satisfied by Shares or cash of the equivalent value of such Award Shares at the Vesting Date in the following manners:
- (a) If the Board or the Administration Committee determines that the Award Shares shall be satisfied by Shares, after withholding or deducting any amount, actual Award Shares will be transferred to an account operated by the trustee or any other online or electronic portal facilities operated by an administrator designated by the Board or the Administration Committee in its sole and absolute discretion (the “**Nominee Account**”) in which the vested Award Shares are held on behalf of the grantee. For the avoidance of doubt, unless otherwise determined by the Board or the Administration Committee, the Award Shares shall not be registered under the name of the grantee or transferred to any account other than the Nominee Account and shall be subject to any restrictions as set out in the Vesting Notice.
  - (b) If the Board or the Administration Committee determines that the Award Shares shall be satisfied by cash of the equivalent value of such Award Shares, after withholding or deducting any amount, such amount will be transferred to the account of the respective grantee notified by the grantee to the Board or the Administration Committee in writing before the respective date of vesting.
  - (c) Upon receipt of the Vesting Notice, the grantee is required to return to our Company a reply slip duly executed by him/her at least five Business Days before the date of vesting. If the Board or the Administration Committee specifies in the Vesting Notice that actual Award Shares will be transferred to the Nominee Account upon vesting, the grantee shall complete the payment of the purchase price (if any) within the specified period set out in the Vesting Notice. If any grantee fails to (i) return the reply slip at the stipulated time above to the Company, or (ii) complete the payment of the purchase price in accordance with the requirements set out in the Vesting Notice, unless otherwise determined by the Board or the Administration Committee, the Award shall automatically lapse forthwith and the Award Shares shall become lapsed Shares.



**(p) Acceleration of vesting**

If an offer by way of a general offer, takeover, merger, scheme of arrangement, share repurchase, voluntary winding-up or otherwise is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) resulting in a change in control of our Company, and such offer is (i) approved by the necessary number of Shareholders at the requisite meeting or (ii) becomes or is declared unconditional (i.e. all conditions to which such transaction is subject have been satisfied) prior to the vesting of Shares in the grantee, then the Board or the Administration Committee shall, prior to the offer being approved by the requisite meeting or becoming or being declared unconditional, determine at its absolute discretion whether such Award Shares shall vest and the period within which such Shares shall vest. If the Board or the Administration Committee determines that such Award Shares shall vest, it shall notify the grantee within five Business Days after the Board or the Administration Committee has so determined that such Award Shares shall vest and the period within which such Award Shares shall vest.

**(q) Lapse of Awards**

(1) If at any time, a grantee has:

- (i) been found to be any employee who resides in any country or jurisdiction where the grant of any Award or making of any payment to him or transfer of any Award Shares vested in him to the Nominee Account under the Post-IPO RSU Scheme would not be permitted under the laws and regulations of such country or jurisdictions or would be subject to such requirements under those laws and regulations compliance with which would be unduly burdensome or impractical and the Board considers it necessary and expedient to exclude such employee;
- (ii) been terminated by our Company or any subsidiary for cause, including dishonesty or serious misconduct, willful disobedience or non-compliance with the terms of his/her employment or any lawful orders given by our Company or its subsidiary, incompetence or negligence in the performance of his/her duties, or doing anything in the conclusive opinion of our Company or any of its subsidiaries that adversely affects his/her ability to perform his/her duties properly, causes substantial loss to our Company or brings our Company or any of its subsidiaries into disrepute;
- (iii) lost, whether partially or fully, his/her ability to perform the duties assigned by our Company for reasons other than work injury;
- (iv) been pronounced death during his/her employment with our Company;



- (v) been in breach of any agreements with our Company during his employment with our Company, including but not limited to his/her employment agreement, confidentiality agreement and non-competition agreement, our Company's internal rules, any clause of rules of the Post-IPO RSU Scheme, and his professional ethics;
- (vi) been summarily dismissed by our Company or any of its Subsidiaries in so far as such grantee is an employee;
- (vii) become bankrupt or failed to pay his/her debts within a reasonable time after they become due or has made any arrangement or composition with his/her creditors generally;
- (viii) been in employment relationship with any person other than our Company without our Company's consent causing adverse effect to our Company's business and failing to rectify such behavior despite the Company's request;
- (ix) been convicted for any criminal offence;
- (x) been charged, convicted or held liable for any breach of the relevant securities laws or regulations in Hong Kong or any other equivalent laws or regulations in another jurisdiction in force from time to time; or
- (xi) been under other circumstances where the Board or the Administration Committee considers that such grantee is no longer suitable to be entitled to the Award Shares or hold the Shares, then the Award Shares shall not vest and shall automatically lapse and such grantee shall have no claim whatsoever in respect of the Award Shares.

**(r) Cancellation of Awards**

The Board or the Administration Committee may at its sole discretion cancel any Award that has not vested or has lapsed.

Where our Company cancels any Award granted to a grantee and makes a new grant (whether under the Post-IPO RSU Scheme or any other share scheme(s)) to the same grantee, such new grant may only be made within the available RSU Mandate Limit approved by the Shareholders. The Award cancelled will be regarded as utilised for the purpose of calculating the RSU Mandate Limit.

**(s) Reorganisation of capital structure**

In the event of any alternation in the capital structure of our Company, such as capitalisation issue, bonus issue, rights issue, consolidation, sub-division and reduction of the share capital of our Company, subject to other provisions of the Post-IPO RSU Scheme, corresponding adjustments (if any) shall be made to the maximum number of Shares that may be issued by our Company in respect of all the Awards and other share awards and share options to be granted pursuant to all the share schemes of our Company under the unutilised RSU Mandate Limit with reference to the total number of issued Shares as at the date immediately before and after such event and rounded to the nearest whole Share. Any corresponding adjustments shall give a grantee the same proportion of the equity capital, rounded to the nearest whole share, as that to which that grantee was previously entitled and shall be in accordance with the guidance the Stock Exchange issued from time to time. The auditors or the independent financial adviser of our Company retained for such purpose shall confirm in writing to the Directors that the adjustments satisfy the requirements under the Listing Rules.

No alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value, or to give the advantage of the grantees without specific prior approval of the Shareholders.

The capacity of the auditors or the independent financial adviser (as the case may be) is that of experts and not of arbitrators and their confirmation shall, in the absence of manifest error, be final and binding on our Company and the grantees. The costs of the auditors or the independent financial adviser (as the case may be) shall be borne by our Company.

**(t) Amendment**

The terms of the Post-IPO RSU Scheme may be altered, amended or waived in any respect by the Board provided that such alteration, amendment or waiver shall not affect any subsisting rights of any grantee hereunder, and provisions of the Post-IPO RSU Scheme relating to certain terms listed in the Listing Rules shall not be altered to the advantages of the grantees. No changes to the authority of the Board or the Administration Committee in relation to any alteration of the terms of the Post-IPO RSU Scheme shall be made, without the prior approval of the Shareholders in general meeting. Any alteration, amendment or waiver to the Post-IPO RSU Scheme of a material nature shall be approved by the Shareholders in general meeting. The Post-IPO RSU Scheme so altered must comply with the applicable provisions of the Listing Rules. The Board shall have the right to determine whether any proposed alteration, amendment or waiver is material and such determination shall be conclusive.

Subject to compliance with the Listing Rules, any change to the terms of the Awards granted to a grantee must be approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or Shareholders, as the case may be, if the initial Awards were approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders, as the case may be. This requirement does not apply to the alterations taking effect automatically under the existing terms of the Post-IPO RSU Scheme. The Post-IPO Scheme so altered must comply with the applicable provisions of Listing Rules.

**(u) Termination**

The Post-IPO RSU Scheme shall commence on the Listing Date and shall remain valid and effective for a period of ten years from the Listing Date (“**Scheme Period**”). Notwithstanding anything contained to the contrary in the Post-IPO RSU Scheme and without prejudice to any subsisting rights of any grantee and subject to the requirements under the Listing Rules, the Post-IPO RSU Scheme can be terminated as determined by the Board or the Administration Committee at any time prior to the expiry of the Scheme Period.

On termination of the Post-IPO RSU Scheme, the trustee shall transfer the Award Shares to any holder as the Company may direct, unless the Company requests the Award Shares to be transferred to such other employee award scheme trust as may be selected by the Company, provided that such other employee award scheme trust selected by the Company satisfies the Articles, the Listing Rules and all applicable laws, rules and regulations.

Upon termination, no further Awards shall be granted. Our Company shall notify the trustee of such termination.

Upon receipt of the notification of termination from our Company in writing, the trustee shall vest in the grantees all Award Shares referable to the date of termination which are not vested by transferring the same held by and in the trust fund of the trust to the relevant Nominee Accounts.

**E. DISCLAIMERS**

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executives has any interests and short positions in the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange;

- (b) none of our Directors nor any of the parties referred to in the paragraph headed “— F. Other Information — 7. Qualification of experts” in this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us;
- (c) save as disclosed in this prospectus or in connection with the Underwriting Agreements, none of our Directors nor any of the parties referred to in the paragraph headed “— F. Other Information — 7. Qualification of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;
- (d) other than pursuant to the Underwriting Agreements, none of the parties referred to in the paragraph headed “— F. Other Information — 7. Qualification of experts” in this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (e) so far as is known to our Directors, none of our Directors or their respective associates (as defined under the Listing Rules) or any of our Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest clients.

## **F. OTHER INFORMATION**

### **1. Litigation**

As at the Latest Practicable Date, save as disclosed in the paragraph headed “Business — Legal Proceedings and Non-compliance” in this prospectus, we were not aware of any litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

### **2. The Sole Sponsor**

The Sole Sponsor’s fees payable by us in respect of the Sole Sponsor’s services as sponsor for the Listing are HK\$5,500,000.

The Sole Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules.

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option). All necessary arrangements have been made to enable such Shares into CCASS.

### **3. Preliminary expenses**

Save as referred to in the paragraph headed “Financial Information — Listing Expenses” in this prospectus, we have not incurred any material preliminary expenses.

### **4. Taxation of holders of shares**

#### **(a) *Hong Kong***

Dealings in Share registered on our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.13% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

#### **(b) *Cayman Islands***

No stamp duty is payable in the Cayman Islands on the transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

#### **(c) *People’s Republic of China***

We may be treated as a PRC resident enterprise for PRC enterprise income tax purposes. In that case, distributions to our Shareholders may be subject to PRC withholding tax and gains from dispositions of our Shares may be subject to PRC tax. For details, please refer to the paragraph headed “Risk Factors — Risks Related to Doing Business in the People’s Republic of China — We may be classified as a PRC resident enterprise for PRC enterprise income tax purposes” in this prospectus.

#### **(d) *Consultation with professional advisers***

Intending holders of Shares are recommended to consult their professional tax advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other

parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, person, resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

#### **5. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this prospectus, the English language version shall prevail.

#### **6. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

#### **7. Qualification of experts**

The qualifications of the experts who have given opinions or advice which are contained in this prospectus are as follows:

<u>Name</u>	<u>Qualification</u>
SPDB International Capital Limited	Licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Zhong Lun Law Firm	Legal adviser to our Company as to PRC law
Beijing Dacheng Law Offices, LLP	Legal adviser to our Company as to the specific issue under PRC law
Ogier	Legal adviser to our Company as to Cayman Islands law
Stephen Peepels, Esq.	Legal adviser to our Company as to International Sanctions laws
King & Wood Mallesons	Legal adviser to the Sole Sponsor as to PRC law

Name	Qualification
Ernst & Young	Certified Public Accountants under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under the Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

### 8. Consents of experts

Each of the experts referred to in the paragraph headed “— F. Other Information — 7. Qualification of experts” in this Appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of its reports, letters, and/or opinions (as the case may be) and the references to its names included in the form and context in which it respectively appears.

As at the Latest Practicable Date, none of the experts named had any shareholding interests in any member of our Company or the right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of our Group.

### 9. Compliance Adviser

We have appointed SPDB International Capital Limited as our Compliance Adviser upon the Listing in compliance with Rules 3A.19 of the Listing Rules.

### 10. Tax and other indemnity

The Controlling Shareholders have entered into the Deed of Indemnity in favour of our Group (being a material contract referred to in the paragraph headed “— B. Further Information about Our Business — 1. Summary of material contracts” in this Appendix) to provide the indemnities in respect of, among other things, taxation resulting from profits or gains earned, accrued or received, any liability for estate duty under the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong), or legislation similar thereto in Hong Kong or any jurisdictions outside Hong Kong, which might be incurred by any member of our Group on or before the Listing Date, as well as any penalties imposed due to non-compliance with any applicable laws and regulations on or before the Listing Date when the Global Offering becomes unconditional, save:

- (a) to the extent that specific provision or reserve has been made for such taxation in the audited consolidated financial statements of our Group as set out in Appendix I to this prospectus;

- (b) to the extent that the liability for such taxation would not have arisen but for any act or omission of, or delay by, any member of our Group after the Listing Date; and
- (c) to the extent such loss arises or is incurred only as a result of a retrospective change in law or regulations or the interpretation or practice thereof by any relevant authority coming into force after the Listing Date.

### 11. Promoters

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed above, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits have been paid, allotted or given to any promoters in connection with the Global Offering or the related transactions described in this prospectus.

### 12. No material adverse change

Our Directors confirm that, as at the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 December 2023, being the latest date of our consolidated financial statements as set out in Appendix I to this prospectus, and there is no event since 31 December 2023 that would materially affect the information as set out in the Accountants' Report in Appendix I to this prospectus.

### 13. Particulars of the Selling Shareholder

The particulars of the Selling Shareholder are set out as follows:

<b>Name:</b>	Ru Yi Information Technology Co., LTD
<b>Place of incorporation:</b>	BVI
<b>Registered address:</b>	Ogier Global (BVI) Limited of Ritter House, Wickhams Cay II, PO Box 3170, Road Town, Tortola VG1110, British Virgin Islands
<b>Description:</b>	An investment holding company incorporated in the BVI with limited liability
<b>Number of Shares to be sold:</b>	30,000,000 Shares, representing approximately 6.5% of the total issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised)
<b>Interest of our Director</b>	As at the date of this prospectus, Ru Yi Information Technology Co., LTD is wholly owned by Mr. Sun Tao, our executive Director and Controlling Shareholder



**14. Miscellaneous**

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
- i. no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
  - ii. no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - iii. no founders or management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;
  - iv. no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any shares or loan capital of our Company or any of its subsidiaries; and
  - v. no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries.
- (b) Our Group had not issued any debentures nor did it have any outstanding debentures or any convertible debt securities.
- (c) Our Directors confirm that:
- i. as at the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2023 (being the date to which the latest audited consolidated financial statements of the Group were prepared);
  - ii. there is no arrangement under which future dividends are waived or agreed to be waiver;
  - iii. there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months immediately preceding the date of this prospectus;
  - iv. subject to the provisions of the Cayman Companies Act, the register of members of our Company will be maintained in the Cayman Islands by our principal share registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands;

- v. all necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement; and
- vi. no company within our Group is presently listed on any stock exchange or traded on any trading system.

**A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) the written consents referred to in the paragraph headed “Statutory and General Information — F. Other Information — 8. Consents of experts” in Appendix IV to this prospectus;
- (b) a copy of each of the material contracts referred to in the paragraph headed “Statutory and General Information — B. Further Information about Our Business — 1. Summary of material contracts” in Appendix IV to this prospectus; and
- (c) the statement of the particulars of the Selling Shareholder referred to in the paragraph headed “Statutory and General Information — F. Other Information — 13. Particulars of the Selling Shareholder” in Appendix IV to this prospectus.

**B. DOCUMENTS AVAILABLE ON DISPLAY**

Copies of the following documents will be available on display on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.cloudcsp.com](http://www.cloudcsp.com) during a period of 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report from Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information of our Group from Ernst & Young, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Company for the Track Record Period;
- (e) the PRC legal opinions issued by our PRC Legal Adviser on PRC law, in respect of certain general corporate matters and property interests of our Group;
- (f) the letter of advice prepared by Ogier, our legal adviser on Cayman Islands law, summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- (g) the legal memorandum issued by Stephen Peepels, Esq., our legal adviser as to International Sanctions laws;

- (h) the legal memorandum issued by Beijing Dacheng Law Offices, LLP, our legal adviser as to the specific issue under PRC law;
- (i) the report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a summary of which is referred to in the section headed “Industry Overview” in this prospectus;
- (j) the Cayman Companies Act;
- (k) the written consents referred to in the paragraph headed “Statutory and General Information — F. Other Information — 8. Consent of experts” in Appendix IV to this prospectus;
- (l) the material contracts referred to in the paragraph headed “Statutory and General Information — B. Further information about Our Business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (m) the service contracts and the letters of appointment with our Directors referred to in the paragraph headed “Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 2. Particulars of service contracts” in Appendix IV to this prospectus;
- (n) the rules of Post-IPO RSU Scheme; and
- (o) the statement of the particulars of the Selling Shareholder referred to in the paragraph headed “Statutory and General Information — F. Other Information — 13. Particulars of the Selling Shareholder” in Appendix IV to this prospectus.



雲工場科技控股有限公司

**Cloud Factory Technology Holdings Limited**